

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Nepal is a landlocked country which lies between the two most populous countries, China and India. It falls in the category of the least developed countries in the world. About 31% of the population of Nepal is below absolute poverty line. According to the 2001 census (2058 B.S), the population of Nepal is 23.1 millions (2,31,51,423 in total) with an annual growth rate of 2.25%. Current population of urban areas comes to be 14.2% and that of rural areas is 85.8%. Population density is estimated to be 157.3 people per square kilometer. Life expectancy at a birth in Nepal is 62 years which is one of the lowest in the world. Nearly one in two Nepalese is illiterate (population aged 15 years or above).¹

Most of the people are depend on the agriculture sector for their livelihood. Agriculture is the backbone of Nepalese economy. Its contribution to the total GDP is 33.1% which is the highest of all other sectors. Agriculture provides rural people with seasonal employment. Thus, many people are semi or underemployed. Lack of diversification on occupation other than agriculture has been a phenomenal difficulty in rural Nepal. Perhaps, this is one of the reasons why majority of people in rural area are living under constant poverty. Due to poor economic situation, poor people lack capital to mobilize other resources.

Nepal's per capita income and Human Development Index are very low. The number of people under the poverty line is increasing day by day. Among often highlighted causes of rural poverty are high population growth, low agricultural productivity, and unsystematic distribution of land and traditional method of farming and high rate of unemployment among other things.

Economic and developmental policies and strategies have been changed quite frequently along with the changes in the political regime in the country. Significance among them is the 1990's (2047 B.S) reestablishment of the multiparty democracy which adopted liberal economic policy in the country. Every successive government

¹ His Majesty Government, Central Bureau of Statistics, *Statistical Pocket Book* (2002), p.11.

in power, now and then, has tried to cater the needs for grassroots participation through local self-governance in order to expedite the rural development process. However, the existing centralized pattern of government, in practice, has left the policies only as rhetoric.

Development of co-operative organization is one of the early attempts to involve rural people to manage their needs and develop their communities. Though they were mainly government sponsored, they were generally only local people's organizations extended then.

The active involvement of rural people is essential for the all round socio-economic uplift of the country. To make people conscious of their ability and resources at the grassroots, co-operative can be effective instrument which serve for sound and rapid socio-economic uplift². It has been unanimously accepted in the development discourse that in the absence of local co-operative and participation in every effort from national or local government or non-government organizations and investment of foreign aids would be meaningless.

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspiration through a jointly owned and democratically control enterprise. Co-operative refers to work together for a common benefit. Co-operative organization is estimated for economic and social welfare of poor people. Co-operative organization has distinct character in comparison to other organizations for its own co-operative values and principles, Co-operative values and principles are the foundation of co-operative development as well as for their success.

Robert Owen founded the modern types of co-operative in England in 24 October, 1844. Rochdale Society of Equitable pioneers were developed by Robert Owen for the consumer welfare. The concept of Co-operation between people is not new in Nepal too. It has developed from social institutions like 'Dharma Bhakari', 'Dhikuti', 'Parma', 'Bheja', 'Mankakhala' and 'Guthi' that are indigenous forms of the co-operatives, has been continuing till now. However, co-operative movement in Nepal, in an organized form, started in 1945. In 1953 A.D. (2010 B.S), the co-operative department was established under the Ministry of Plan Development and

² Gokul Raj Sharma, "A Comparative Study on Financial Performance of Co-operatives with Special Reference to Samajhna Multiple Co-operative Societies and Nabakshitij Co-operative Society", Unpublished Master diss., T.U. (1999), p.1.

Agriculture for the promotion of co-operative society through organization of them. As a result, a number of co-operative societies were the first co-operative institute in the history of the world co-operative development. After then, it is extended to Germany, Italy, and France and all over the world. As a result of the development of co-operative organization, International Co-operative Alliance (ICA) was established in England in 1895 A.D.³

According to the definition of ICA. “A co-operative is an autonomous association of people united voluntarily to meet their common economic, social and cultural needs and aspiration throughout a jointly-owned and democratically controlled enterprise”.⁴ Co-operative is a form of business enterprises or communities organization, incorporated in service to its members and users, in order to meet their common economic, social and cultural needs and aspirations. Co-operative is jointly-owned and democratically controlled by its members and users on the basis of one member ‘one vote’. Co-operatives are based on the value of self-help, mutual help, self responsibility, democracy, equality and solidarity. Co-operative members believe in the ethical values of honesty. Co-operative organizations are developed to help the weak class people as well as socio-economic development of the nation. Now a days, co-operative organization can be found in various forms like vegetable production, seed production, tea and coffee production, sales and distribution, transportation, health, education, wood carving, metal carving, furniture cottage industry, carpet industry, housing and others. Besides these co-operatives provide access to microfinance service like saving and credit co-operative organizations. Due to its nature, co-operative with limited banking service, saving and credit co-operative is also called Credit Union (CU) and recognized as microfinance Institutions (MFIs).

The history of co-operative society dates back to 1956 A.D in which year the government of Nepal incorporated “Bakhan Saving and Credit Co-operative Ltd.” In Rapti Valley, Chitwan by issuing executing order for its legal validity.⁵ The thirty year Panchayat regime also attempted to promote co-operatives by enforcing the co-operative Act 1959 (2016 B.S.) and Co-operative Regulation Act 1961 (2018 B.S.).

³ Co-operative Training Center, *Co-operative and Its Development in Nepal*, p.(41-42).

⁴ International Co-operative Alliance, *Seventh Annual General Meeting* (1995).

⁵ Keshar J. Baral, “*Co-operatives in Nepal: Use and Effectiveness*”, A Paper Presented in the Interaction Program Organized by Royal Co-operative Ltd, Pokhara ,2005.

However co-operatives became burdensome to the government due to the weak management, wants of autonomy and unscientific accounting system of saving and credit. After the restoration of democracy in 1990 (2047 B.S.), the government considered co-operatives as a means of poverty alleviation. It enforced new co-operative Act, 1991 (2048 B.S) and repeated both act and regulation of Panchayat regime. The new co-operation act is considered as one of the best democratic co-operative act of the world. But due to the undemocratic practices and environment in democratic system in most of the cases, co-operatives have turned out as an intermediary to transfer the money from poor to rich. The democratic government speeded up the liberalization financial environment; saving and credit co-operative grew like mushroom especially in urban and sub-urban areas of the country. Jana Sew Saving and Credit Co-operative Society Limited (JSSC) is one of these co-operative. The JSSC was incorporated in 1993 A.D (2050 B.S) under the co-operative Act, 1991 (2048 B.S) and co-operative Regulation Act, 1992 (2049 B.S) in Puranchour VDC, Kaski. Now it is operating its office from Puranchour VDC, Ward No.7 as its working area.

1.2 Focus of the Study

Co-operative are the grassroots organizations and have proved to be quite essential for uplifting the socio-economic condition of rural mass. It can play vital role in the structural transformation of the village economy as well as the state economy. The development of co-operatives could become an effective instrument for Nepalese socio-economic development from lower level. The provisions of various inputs, especially generation of saving and providing credit by co-operative, are seen as prerequisite factors for the uplift of the rural mass.

However, the provision of credit by co-operative organizations is often found to be very small and is not available at the time when people are in dire need. Studies have shown that most of the cultivators are still outside regarded as axiomatic that at the rural base, none form of organization in Nepal will be suitable except the co-operatives. The ambit of co-operatives and its credit service must succeed in future. There are different kinds of co-operatives which are established and registered under the co-operative Act, 2048. According to District Co-operative Office, Kaski, there are 193 co-operative organizations are registered in Kaski district till 2008 (2065 B.S). Out of these, 91 saving and credit co-operative societies are registered. 31 are

agriculture based co-operatives. Similarly 22 diary co-operatives, 4 small farmer co-operatives, 1 Herbal (Jadibuti) Co-operative, 1 Tea Co-operative, 2 Coffee Co-operatives, 1 Health Co-operative, 17 Multipurpose Co-operatives and 23 Other Co-operatives⁶.

Out of 91 saving and credit co-operative organizations, 26 are rural based saving and credit co-operatives, out of these 26 co-operatives, 12 are mixed (mixed= male and female) saving and credit co-operatives, 14 are women based saving and credit co-operative and rest are other types of co-operatives. For this research purpose, Jana Sewa Saving and Credit Co-operative Society Limited Purunchour, Kaski is undertaken as a case study which is a rural based saving and credit co-operative organization. It has completed more than 5 financial years of its operation because this study intends to assess the financial soundness and sustainability of the co-operative in Nepal. Therefore, this study will focus mainly to the examination of how it is impacting on the socio-economic condition of its members. It also will focus to identify financial position, sustainability and current issues and challenges of the co-operatives. The financial soundness will be measured taking data for the period of Fiscal year 2059/060 to 2064/065 B.S. Analysis on financial soundness of this case under study will be made to find out about financial performance, utilization of capital and its funds. The evaluation of financial performance of the organizations will show the financial strengths and weakness of the organizations. The sustainability will be measured in this study to obtain knowledge about socio-economic impact of the co-operatives on participation members and communities. Sustainability measurement will also reflect the usefulness and viability of the co-operative organization in terms of self-reliance and futurity.

1.3 Statement of the Problem

As has already been explained, Nepal is a least developed and poor country in the world. It has very low per capita income i.e. \$240, high population growth rate (2.27%), low economic growth rate and lack of adequate infrastructures for development. Out of total population, 85.8% people live in rural areas and rest 14.2% people live in urban area⁷. The socio-economic condition of the rural areas

⁶ District Co-operative Office, Kaski, *The Entry Book and Notice Board*, 2064 B.S.

⁷ Govinda Prasad Kusum and Durgesh Kumar Shrestha, *Business Environment in Nepal*. 2nd ed., 2063 B.S. p. 164.

is measurably poor. It also has already been explained that co-operative organizations are working at grassroots level with the aim of alleviation poverty by strengthen the socio-economic condition of the poor people in the rural areas.

Even though, saving and credit co-operative organizations are fund useful to help generate saving and provide credit when needed. Most of the saving and credit co-operatives are urban based, especially concerted in Kathmandu, Birgunj, Biratanagar, Nepalgunj, Pokhara etc. Co-operative movement, basically in saving and credit co-operatives form, is only in the stage of infancy in rural area; hence they do not have a strong position. Experience have shown that saving and credit co-operative organizations at present are playing vital role for resources mobilization, income generation and banking facilities in rural areas.

Jana Sewa Saving and Credit Co-operative Society Limited (JSSC), Puranchour, Kaski, is the first saving and credit co-operative organization in Kaski district. This is the second co-operative organization registered under the Co-operative Act, 1992 (2049 B.S.) in Kaski district.

Department of Co-operative (DOC) is the monitoring authority of all those co-operatives which are not affiliated with NRB. But DOC doesn't have clear modern monitoring tools which can control the financial health of saving and credit co-operatives.⁸ So, concern authorities; Government of Nepal, NRB, DOC and saving and credit co-operatives it selves must be serious about the monitoring tools of the saving and credit co-operative organizations. If immediate action is not taken, it may effect the whole co-operative movement of Nepal.

Under this fact, this research study will be reasonable and the study on financial soundness and sustainability of Nepalese co-operative organizations should be monitored in this modern co-operative movement. Thus, this study has attempted to address the following research problems:

1. What are the current practices of co-operative movement in Nepal?
2. What are the current attractions to establishment saving and credit organizations?
3. What is the status of financial soundness of the JSSC?

⁸ Nabin Acharya, "*Financial Analysis of CON Community Saving and Credit Co-operative Society Limited in the Framework of PEARLS*", Master diss., T.U., 2007.

4. What is the impact of JSSC on socio-economic condition through the participating members?
5. What are the challenges of co-operative movement and what kind of strategies should be followed by JSSC in order to improve achievement?

1.4 Objectives of the Study

In the context of above background, the present study is directed with the objectives of examining the overall financial position and sustainability position of JSSC. The study will indicate the right picture of financial performance of the JSSC. The purpose of the study is to examine the financial variability to make the suggestion for improving the financial efficiency of the co-operative. It also highlights the concept, historical background, current issues, challenges and weaknesses of co-operatives in Nepal. The study has the following specific objectives listed below according to the statement of the problems.

Objectives:

1. To identify the current attractions to establishment of saving and credit co-operative organization.
2. To identify the present status of financial soundness and sustainability of JSSC.
3. To explore the impact on employment creation and income generation of JSSC.
4. To identify current challenges of co-operative organizations.
5. To recommend the policy and strategy to be followed by JSSC for the improvement of its services.

1.5 Significance of the Study

Basically this study will be much more helpful to the management of co-operative organization to make plans and policies, practitioners as well as further researchers further more, it may also be helpful to the co-operative department, co-operative Development Board, co-operative Training center, co-operative Division office, other co-operative societies and federation of National co-operative Association for analyzing monitoring the co-operative societies. It will also be helpful to the researchers of the concerned field, for the scholars as the reference material.

Similarly, the study helps to identify the current issues and challenges of co-operative organizations in Nepal. This study will update the researchers about the current scenario of the rural based co-operative organizations through empirical analysis. The study will be visualized the current situation of the co-operatives in Nepal. So it is expected to be helpful for the board of directors, management team, shareholders, debtors, creditors and consumers of co-operative organizations. Thus this study will play significant role for further improvement to the researchers, scholars as well as the JSSC itself.

1.6 Delimitation of the Study

This study is conducted as an academic requirement for the degree of Master of Business Studies (MBS). The study is mainly focused with a view to financial soundness and sustainability of JSSC; however, there are some limitations which are as follows:

- Among various co-operatives, this study focuses only rural based saving and credit co-operative namely Jana Sewa Saving and Credit Co-operative Society, Puranchour, Kaski.
- This study examines only financial and sustainability aspects of the JSSC.
- This study is mainly based on secondary data and information like financial statement, reports, thesis, journals etc.
- This study is based only on five years data i.e. from fiscal year 2060/061 to 2064/065.
- Limited tools and techniques are used.
- This study is conducted as a case study of rural based saving and credit co-operative society limited. So, it may not represent the overall situation of the co-operatives in general.
- This study is conducted simply a partial fulfillment for the degree of Master of Business Studies (MBS) within time constraints.

1.7 Organization of the Study

This research study has been organized in the following five chapters and necessary sub-chapters;

Chapter I: Introduction

Chapter II: Review of Literature

Chapter III: Research Methodology

Chapter IV: Presentation and Analysis of Data

Chapter V: Summary, Conclusion and Recommendation.

Chapter one introduces the research concept. It incorporates background of the study, focus of the study, statement of the problems, objectives of the study, significance of the study, delimitation of the study and organization of the study.

The second chapter contains review of literature. This chapter incorporates meaning and definitions of co-operatives, principles of co-operatives historical background of the co-operatives, Nepalese prospective, organizational structure, rules regarding co-operative, current issues and challenges of co-operatives, reviews of related studies like report, thesis, journals, book, periodicals etc. and introduction of Jana Sewa Saving and Credit Co-Operative Society Limited.

The third chapter deals with the research methodology. It includes research design, population and sample size, nature and sources of data, data gathering procedures, data processing, and methods of analysis (tools and techniques of analysis).

The fourth chapter consist the presentation and Analysis of data. It includes an analysis of various financial ratios and statistical tools. It also incorporates major findings of the study.

Finally, summary, conclusion and recommendation are considered in the fifth chapter. This last chapter summarizes the whole study, draws the conclusion and forwards the recommendation for the improvement to the future.

Bibliography and appendices are incorporated at the end of the study.

CHAPTER II

REVIEW OF LITERATURE

This chapter is basically concerned with the review of literature relevant on the financial soundness and sustainability position of Jana Sewa Saving and Credit Co-operative Society Limited. Every study is very much based on past knowledge. The previous studies should not be ignored because they provide the foundation to the present study. The review of related literature is critical aspect of planning of the study. Review of related literature is an essential part of all types of studies. It is a way to discover what other research in the area of our problem has uncovered. It is also a way to avoid investigation problems that have already been definitely answered. The review of literature accomplishes that a point of departure for future research, avoids needless duplication of costly research effort and reveals areas of needed research. The relevant literature and articles were reviewed from national and international publications as well as unpublished reports, thesis, and journals etc. which were available from different libraries and institutions.

2.1 Theoretical Review

Meaning and definitions of co-operatives, principles of co-operatives, historical background of co-operatives, organizational structure of co-operatives in Nepal, current issues and challenges of co-operatives etc. are included under the theoretical review.

2.2.1 Meaning and Definition of Co-operatives

The word "co-operative" has been derived from the Latin word "co-operare" which means in its ordinary sense, working together but in broad sense, it means the system of people voluntarily associated working together in terms of equality to eliminate their economic exploitation by others. The main motto of co-operation is "Each for all and all for each". Co-operative is associated with human being in all walks of life. Co-operation can be understood by looking how animals and birds keep

the company to each other. For example, and themselves make a community of co-operation. Co-operation is vital at all levels of the human life. For example, at micro level, it is a co-operative nature and behaviors of people which brings unity among them, creates goodwill and strengthens understanding at the national and international level.

The term co-operation can be defined taking it with several meanings. This is why its meaning varies from persons to persons. From the sociological point of view, it is a socio-economic movement and it is a social order in which human is free from class struggle. Economists view co-operative as a form of business organization in which middle man can get involved and make profit whereas lawyers take it as an organization from whose membership one enjoys "The special privileges and concessions conferred by law."⁹

According to the U.S. Department of Agriculture, co-operative is distinguished from other business by three concepts or principles; first, the user-owner principle. Persons who own and finance the co-operative are those who use it. Second, the user-control principle, control of the co-operative is by those who use the co-operative. Third, the user-benefits principle, benefits of the co-operative are distributed to its users on the basis of their use.¹⁰

The terminology used to describe co-operative and other firms differs widely. Co-operatives are also commonly called non-profit corporations or patron-owned corporations. The distinction between co-operative and other business is that co-operatives return net income to users or to patrons, while other business firms return net income to users or to investment.

According to patronage proportionality, "A co-operative is a private business organized and joined by members to fulfill their mutual economic needs as patron of the business, with the key control, ownership and income distribution decision based on patronage proportions; namely member voting, equity capital investment by patrons and distribution of net income to patrons are proportional to use of the co-operative.

According to the 31st International Co-operative Alliance (ICA) Congress held at Manchester in 1995, a co-operative has been defined as an "Autonomous association of

⁹ T.N. Hajela, *Co-operation, Principle, Problem and Practice*, Konark Publisher, 1989, P.1.

¹⁰ David W. Cobia, *Co-operatives in Agriculture*, Englewood Cliffs, New Jersey: Prentice Hall ed., 1989.

persons united voluntarily to meet their common economic, social and cultural needs and aspiration through a jointly owned and democratically controlled enterprise."¹¹

Black's Law Dictionary defines co-operatives as "A co-operative or association organized for the purpose of rendering economic service, without gain to itself, to shareholders or members who own and control it."¹²

The definition given by International Labour Organizations (ILO) covered most of the principles of co-operation so it can be considered to be the most comprehensive one. Co-operative society is an association of the economically weak who voluntarily associates on the basis of equal rights and equal responsibility, transfer to an undertaking one or several of their functions, corresponding to one or economic needs which are common to them all, but which each of them is unable fully to satisfy by his/her own individual efforts and manage and use such undertakings in mutual collaboration to their common material and moral advantage"¹³

Prof. Talmaki has defined co-operative as "It is an association of the weak who gather together for a common economic need and by to lift them self from weakness into strength through business organization"¹⁴

According to Henery Calvert, "A co-operative form organization wherein persons voluntarily associate together as human beings on a basis of equality for the promotion of economic interest of themselves".¹⁵

From all of these definitions, a common understanding about the co-operative organizations can be made. Thus, co-operative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through jointly owned and democratically controlled enterprise. Hence, the above given discussions concluded that co-operative is a form of organization specially of the weak and powerless people wherein actual users of certain goods and services, voluntarily associate together as human beings, on the basis of equality for the promotion of their economic interest by honest means. Co-

¹¹ Ashok Bandyopadhyay, *Hundred Years of Co-operative Movement- Vision and Mission*, India Co-operative Review 42:p.1-2, 2020.

¹² Henery Black Compbell, *Black's Law Dictionary*, 6th ed., West Publishing Company, 1990, p. 334.

¹³ B.P Shrestha, *"An Introduction to Nepalese Economy"*, 1974, P. 115.

¹⁴ S.A. Sherlekar et al., *Modern Business Organization and Management*, 5th ed., Bombay: Himalayan Publishing House, 1998, p.245.

¹⁵ District Co-operative Office, Kaski, The *Entry Book*, 2064, p.10.

operation is the superior philosophy of life, besides of a form of business organization. Therefore, so far, co-operative has been accepted all over the world as a vehicle for mobilizing the scattered savings and putting them in productive use for the benefit of the poorer sections of the society. Co-operative helps to distribute wealth and profit equally to all. It has distinct Character in comparison to other business organizations due to its own co-operative norms, values and principles.

2.1.2 Principle of Co-operative.

Principles refer to the code of conduct which governs the life of every activity of human beings. Co-operative principles are the set of rules and regulation which governs co-operative organizations. All of the co-operative activities are guided by principles. The co-operative principles were first set out by "Rochdale Society of Equitable Pioneers" in Rochdale, England in 1844 A.D. Robert Owen is called the "father of co-operative concept". He was born in 1771. He had started Rochdale Equitable Pioneers Society in October 24, 1844 and started to adopt the co-operative Principles in England, later all over the world.

In 1860, Rochdale Societies were proposed 10 principles of co-operative which are modified in different period of time. The first set out co-operative principles by Rochdale Societies were: (1) Voting is by members on democratic basis 2) Open membership 3) equity is provided by patrons 4) equity ownership share of individual patrons is limited 5) net income is distributed to patrons as patronage refunds on a cost basis 6) dividend on equity capital is limited 7) exchange of goods and services at market process 8) duty to educate and cash trading only 9) no unusual risk assumption 10) political and religious neutrality and equity of the sexes in membership.

Due to rapid changes in the economy of the world, the need for review of these principles was increasingly felt and co-operative principles were also modified. In 1995 the International Co-operative Alliance (ICA) listed revised seven principles. The principles, which have been commonly adopted all over the world, are as follows.¹⁶

1. Open and voluntary membership

¹⁶ Bir Bahadur Karki, "*Strategic Planning in Co-operative Sector: A Study on Dairy Co-operative,*" The Journal of Nepalese Business Studies, Vol. II, Published by Faculty of Management, Prithvi Narayan Campus, Pokhara (2006). P. (72-73).

2. Democratic Member Control
3. Member's Economic Participation
4. Autonomy and Independence
5. Education, Training and Information
6. Co-operation Among co-operatives
7. Concern for community

1. Open and Voluntary Membership

Co-operatives are voluntary organizations which is open to all who are able to use their services and willing to accept responsibilities of membership regardless of gender, social, racial, political or religious discrimination. All members are treated equally. All are welcome but there is no pressure to become a member. There is a provision of free entry and free exit of the membership which is set by co-operative acts.

2. Democratic Member Control

Co-operatives are democratic organizations controlled by the members, who actively participate in setting their policies and making decisions. Men and women are serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (i.e. one member one vote) and co-operatives at other levels are also organized in a democratic manner.

3. Member's Economic Participation

Member's economic participation is one of the defining features of co-operative societies and constitutes the third Rochdale principle in the ICA's statement of the co-operative identity. According to the ICA, co-operatives are enterprises in which "members contribute equitably to, and democratically control, the capital of their co-operative. At least, part of that capital is usually the common property of the co-operative. Members allocate surplus for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible, benefiting members in proportion to their transactions with the co-operative, and supporting other activities approved by the membership".

4. Autonomy and Independence

Co-operatives are autonomous, self-help organizations controlled by their members. They can freely enter into agreements with other organizations, including governments or raise capital from external sources. They are independent legal entities and are controlled through democratic processes adopted by the participation members. They maintain their co-operative autonomy.

5. Education, Training and Information

Co-operatives provide education and training for their members, elected representatives, managers and employees. So, they can contribute effectively to the development of their co-operatives. They also inform the general public particularly young people and opinion leaders about the nature and benefits of co-operatives.

6. Co-operation Among Co-operatives

The success of co-operatives largely depends up on their co-ordination and integration. Mutual understanding and inter dependence among co-operatives help to promote the process of co-operatives development. Co-operatives serve their members most effectively and strengthen co-operative movement by working together through local, national and international structure. Co-operation among the co-operatives is necessary for the smooth operation and all round progress of the co-operative movement.

7. Concern for Community

Co-operative societies must have concern for their communities. According to the ICA's statement on the co-operative identity, "Co-operatives work for the sustainable development of their communities through policies approved by their members. Without the support of communities, co-operatives can not staying for long term. So, the co-operatives should be given its priority towards the communities for their long term existence.

2.1.3 Historical Background of Co-operatives

2.1.3.1 Global Prospective

Co-operation is an ancient idea and a natural human tendency. In this sense, co-operation is several hundred years old. However, the concept of modern co-

operative was developed at the beginning of the 19th century. Robert Owen, an industrialist of Great Britain, gave the idea of co-operatives. But it was practically developed by a group of Rochdale Society of Equitable Pioneers called "The Customer Society". This idea became successful and later, it spread all over the Great Britain. In the beginning, this society used to sell goods only to its members. Later, it started to sell goods to non-members as well. Rochdale Principles of co-operative discussed in co-operative literature throughout the world are: open membership, democratic control, distribution of surplus in proportion to purchase, limited interest on capital, religious and political neutrality, cash trading and promotion of education. Among the existing hundreds of co-operative societies, Rochdale Pioneers Society achieved tremendous success and put economic and social life to Britain on the road of continuous progress.

In 1919, the first co-operative college in the world was established in Manchester. It is administered by the educational committee of the co-operative union. This college was opened for all students from all parts of the world. In 1944, British Government decided that boys and girls must attend to country college after the learning school. The main aim was to produce good co-operative citizens in Britain.

At the time of Rochdale Pioneers, two Germans also suggested the idea of co-operative. In 1849, both of them started their co-operative work in German for the purpose of improving the conditions of the poor. One co-operator was Raiffeisen who succeeded to help those poor peasants through co-operative agriculture society. The next co-operator was Freinz Shulze Dalitzch. He opened 'Co-operative Bank' to help German people. There was little difference between these two Germany co-operators. Reuffeisen's credit societies were suitable in town but both were started their first co-operative societies in 1849 and both ran successfully.

The above descriptions suggest that the co-operative movement was started and developed in Europe which later was followed by countries. Both developed and developing countries freely accept that co-operative movement might be an instrument for uplifting the rural poor and liberating them from the exploitation of land lords, moneylenders and millionaires' co-operative movement in some of the countries can be summarized as follows:

Great Britain: The co-operative in UK was first started in urban areas where industrial revolution had brought so many problems such as low wages, labour exploitation of women and children and bad living and working condition. Robert Owen, a factory worker and economic thinker, was impressed by worker's difficulties and sufferings. He established villages of co-operation at new link on the basis of equality. Rochdale Pioneers Group developed a "Consumer Society". This was a successful co-operative society, which was started all over the Great Britain. Due to spontaneous growth. Dedicated leadership, sound policies, loyalty and self service elements, the co-operative movement in Britain evolved rapidly.

Germany: At the time of pioneers, two German Co-operators, Herman F.W. Raiffeisen (1818-1888 A.D) and Herman Franz Schulze (1808-1883 A.D) had started co-operative works purely on a humanitarian basis, quite independently, by providing credit facilities on co-operative basis in their respective area. The aims and objectives of both initiatives were identical but the ways of operating them were different. Schulze set up a co-operative bank to help poor German and Raiffeisen established a agriculture credit co-operative society to help poor German peasants. Both of these co-operatives were run successfully.

Switzerland: The co-operative movement was started in Switzerland by Daisies. Swiss agriculture is organized by the various co-operatives. Co-operative movement contributed a lot for the development of the country since 1847. Swiss people realized co-operative societies in line with the grassroots development process. Establishment of co-operative stores and number of food societies were also formed in 1851. Another contribution of co-operative is 'Holiday Home' Switzerland'.¹⁷ This was given for job opportunities to the young people of Switzerland in 1943. By all this people of Switzerland realized that co-operatives provides many things to them. So the Swiss people liked co-operatives very much for their life standard as well as the development of the country.

Denmark: Denmark is counted as the homeland of agricultural co-operation in the world. When the co-operative movement developed in Great Britain, the co-

¹⁷ Nabin Acharya, "*Financial Analysis of CON Community Saving and Credit Co-operative Society Limited in the Framework of PEARLS*", Master diss., T.U. 2007, P.13.

operatives development also took place in Denmark. Nowadays, the co-operative dairies occupy the front position among the co-operatives in Denmark. Danish co-operatives are taken as example of good co-operatives around the world.

Canada: Co-operative movement was started by Lancashire coal miners and steel workers in Canada. Mainly agricultural, and livestock types of co-operative societies are found in Canadian society. British Canadian society of Nova Scotia is the only and great progressed co-operative in Canada¹⁸.

Israel: Since 1990 A.D, co-operative movement has started with the emergence of a variety of co-operative villages in Israel. Today, three different types, viz. the Kibbutz, Moshav and Moshav Shitufi embrace over 80 percent of all villagers in the country. More than three quarters of the rural population producing a similar percentage of all the national agriculture. The state of Israel came into existence only in 1948. However, the history of co-operation in Israel began with the colonization of the Jews people. It was due to hard life in immigration and agriculture as the main sources of livelihoods. Later, group settlement took the form of collective farms.

Indonesia: In Indonesia, British Indian model of co-operatives was introduced in 1915 and a law was introduced in 1927. The Co-operative Department was established in 1953. A new co-operative law was introduced in 1958. After that, the number of co-operative societies expanded very rapidly.

India: Co-operative movement was introduced in a form of credit society in India. A five years plan emphasised up on the role of agriculture co-operatives in the process of national development. The government of India appointed a co-operative planning committee in 1945 A.D for the promotion of the rural co-operatives. National Development Council of India, in its resolution on co-operative policy 1958, recommended that the responsibility and initiative for social and economic development at the village level should be placed fully on village co-operatives in the field of credit and banking, marketing and processing and production of fertilizers. However, the current challenges of the agricultural co-operatives in india are that they

¹⁸ T.N Hajela, *Co-operation Principle, Problems and Practice*, Konark Publisher ,1989, P. (43-44).

are yet to respond effectively to the emerging issues and take opportunities of market economy and new economic reforms.

China: It is assumed that agricultural co-operatives started in China in 1917 A.D. When the country was dependent on agriculture without proper utilization of its resources, flood, famine (extreme scarcity of food), poverty, suppression and exploitation of the landlords were common. After Dr. Sun Yat Sen had taken the authority of the government, he applied co-operative to improve its economy which later started in modern method. After the establishment of the republication government in China, the ownership of the land to the farmers was established as a program of land reform. Every farmer got the equal price of land and was avoided.

The central committee of the Chinese Communist party managed three different types of organization for more production. Which were 'Mutual Aid Team', 'Agricultural Producers Co-operative' and 'Advance Producers Co-operative' or 'People's commune'.

Japan: In Japan, after the second half of the 19th century co-operative movement was started. This movement seems to have been influenced by the European Co-operative movement. The credit (loan) co-operatives of Japan in like of the Germany and consumer co-operative in modeled on the British co-operative. The Japan Agricultural Multi co-operative organization takes an important position in co-operative movement, though in low level, we find a vital role of the government. In the movement of the government invites funds and grants which directs the organizations. Few years after, in 1947 A.D, a central co-operative union was established. After the Second World War, the agricultural co-operative society was established for developing and sustaining of farm management and livelihoods of owner farmers, who got their land through banking reforms program.

As the co-operative movement took place in different countries, International Co-operative Alliance (ICA) was established in London on August 1895 by the International Co-operative Congress. ICA is an independent world wide International association of co-operative organizations of all types. ICA has the affiliation in 102 countries with 256 national and 4 international level organizations as members

serving well over 800 million individual members worldwide.¹⁹ ICA Collaborates with several United Nations agencies, including the International labour organization (ILO), Food and Agriculture Organization (FAO) and the United Nation Council for Trade and Development (UNCTAD). ICA enjoys category-I Consultative status within the United Nations Economic and Social Council.

Similarly, in the early 1970s, World Council of Credit Unions was established world council of credit unions has become the world's leading advocate, platform for knowledge exchange, and development agency for credit unions on an international level, delivers the "sound and safe" credit union message to government legislators, regulators, donors, credit union organizations and credit union members as well as implements credit union projects with proven, tangible results.²⁰

2.1.3.2 Nepalese Prospective

Co-operative is not a new concept in Nepal. The different types of co-operatives activities like 'Dharma Bhakari', 'Dhikuti', 'Parma', 'Guthi', 'Bheja', 'Manka Khala' have been using in practice from the ancient time. 'Dharma Bhakari' means a religious store is a kind of grain bank with each family in the village puts a side certain quantities of grain after the end of the harvest season. At the time of scarcity, the quantities of grains are distributed advance to the farmers. Loan is advanced from the grain bank only to their villages, which have contributed to the bank and agree to pay the loan in kind with interest.

'Parma' is still another type of traditional type of co-operative in Nepal. It is a socio-economic organization in which farmers, neighbors, friends and relatives work with co-operative operation to promote their economic and social interests.

Another traditional form of rural co-operative 'Dhikuti' is the best example of voluntary co-operation of the Thakali. It is formed by a group of people with a specific work. Dhikuti is one of the important and popular forms of co-operation in Nepal. This system of co-operative is utilized in all part of the country. The members prepare the rules and regulations. After preparing rules and regulations of such society, every member is required to contribute certain amount of capital towards the

¹⁹ Nabin Acharya, "*Financial Analysis of CON Community Saving and Credit Co-operative Society Limited in the Framework of PEARLS*", Master diss., T.U., 2007, P. 16.

²⁰ Official Website; *DVA Federal Credit Union*, Washington DC USA, April 23, 2008, <<http://www.dvafcu.org/asp/history.asp>>

fund. The Fund is to be contributed on the basis of financial requirement of the members.

'Manke Jaya' or 'Manka Gathi' is practiced as a group farming in Kathmandu valley.²¹ Each group is called Manka khala and the head of that group is called 'Thakuli' which mean chairman of the group. Informal groups of farmers are farmed for doing agricultural operations like cultivation, sowing and harvesting. Thus the concept of co-operative in Nepal is not a new one. It is familiar those days when people had the knowledge to live together in a society, or community. But we can not ascertain the actual date when the co-operative movement was started in Nepal. Many types of informal co-operatives were running in different parts of Nepal but those are not in a position to take formal slope of co-operative. If we turn over the history of co-operative movement of Nepal, the organized history can be traced back to about 54 years old. Formally the history of Nepal has been started after the establishment of co-operative department in the year 1953 under the Ministry of Agriculture for the promotion, supervision and evaluation of co-operative societies.

In the beginning, co-operative movement in the real sense was greed up with the establishment of 'Bakhan Saving and Credit Co-operative Ltd'. in Rapti valley, Chitawan in 1956 as part of the resettlement program for the flood stricken people in Rapti under the active support of united states agency for international development on experimental basis. Considering the importance of necessary rules and regulations for managing and guiding co-operatives effectively and efficiently, the first co-operative act was promulgated in 1959, which provide legal entity among other things, to all co-operatives registered under the executive order.

Consequently co-operative society rules, 1961 was promulgated which promoted the co-operative movement in the country. With the introduction of the first co-operative act numerical growth of the co-operatives boomed up. In the mean time, the co-operative activities were tied up with the so-called revolutionary many land reforms program. In later dates, the guided co-operative program was introduced which followed a rapid merging process. In 1969, the management of co-operative was entreated to the agricultural development bank of Nepal. The number of co-

²¹ Toya Nath Lamsal, "*Financial Performance Analysis of Nepalese Co-operative Societies with Special Reference to District Co-operative Association Ltd. Kaski District*", Master diss., T.U., 2000, p. 22.

operative registered with the concerned department increased gradually and by the end of F.Y 1970/071 reached to be about 1500.

During the period, a Co-operative Development Fund (CDF) was established to finance co-operative for leading to their members. In order to provide broader spectrum of supervision, guidance and leading to co-operatives, a co-operative bank was established in 1963. Within a short period of establishment, the co-operative bank suffered heavy financial losses because of misuse and fraud in the operation for its member's co-operatives. This led to the establishment of Agriculture Development Bank and dissolution of co-operative bank in 1970 with all due assets and liabilities under the formal control. In 1976, the co-operatives societies were also subjected to various agencies regarding management and control. In the early seventies they were brought under the Agricultural Development Bank of Nepal for financial and administrative control. This did not last long. They were handed over back to the co-operative Development.

Obviously, the reason for failure of co-operatives was the nature of organization. Government took initiatives to organize, manage and control them. Co-operatives were used as tools for the extension of the government service designed to serve the interest of the government not of the members.

After the restoration of democracy in the country in 1990 (2047 B.S), it paved the way for new changes in the co-operative movement, consequently new co-operative act was promulgated in 1992 (2049 B.S) recognizing co-operatives as people's organization with an autonomous body. On the basis of act long a waited National Co-operative Federation came into existence in June 20, 1993.²²

There have been several Commissions and Task forces formed for studies in the field of co-operatives. Such commissions and Task Forces include consultative committee for National co-operative federation (1990), study on Improvement on Organizational Structure of Co-operative Sector (1999), Task Force for suggestions for co-operative Department (2000), High Level co-operative sector Improvement committee (2004), Legal Framework and Institutional Development Study of Savings

²² Official Website, *National Co-operative Federation of Nepal Ltd*, Kathmandu, Nepal, August 15, 2008, <http://www.ncfnepal.com.np/historical_events.html>

and Credit Co-operative Society and National Co-operative bank by Ministry of Finance, 2004.²³

Co-operative Bank was established in 9th July, 2003 with the aim to provide financial services to all the co-operatives issuing share and making member to co-operatives.²⁴ Within the four year period of establishment it is not capable to include most of the co-operatives of Nepal and facing problem including all the co-operatives and extention of branch office in major parts of Nepal. For the supervision of co-operatives in regional level co-operative training office in Kailali, Surkhet, Kaski and Chitwan in 2005. In 2006, being the 50 years of formal establishment of co-operative in Nepal, co-operative Golden Jubilee was celebrated all over the country. The major events of co-operative movement in Nepal have been summarized as under.

Major Events of Co-operative Movement in Nepal

| | | |
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| 1953 | | Establishment of Department of Cooperatives (DOC) under the Ministry of Agriculture for Planning and Development |
| 1954 | | Realizing need of cooperatives for the resettlement programme initiated for the flood-stricken people through Multipurpose Development Plan of Government of Nepal. |
| 1956 | a. | Promulgation of the Executive Order of Government of Nepal and recognition of cooperative society under it. |
| | b. | Credit Cooperative Society for the first time, was established in Chitwan District. |
| 1958 | | The district level staff of DOC under the administrative control of Rural Development Block carried out cooperative activities. |
| 1959 | a. | DOC was kept under the Ministry of Food, Agriculture and Forestry |
| | b. | Cooperative Society Act, 1959, came into effect |
| 1961 | a. | Cooperative Society Rules, 1961, came into effect |
| | b. | The first amendment of Cooperative Society Act, 1959 |
| | c. | Establishment of Cooperative Development Fund |
| | d. | Establishment of Sajha Society (Sajha Central Office) |
| 1962 | a. | Establishment of Cooperative Training Center |
| | b. | Establishment of Credit and Marketing Cooperative Union. |
| | c. | Cooperative Bank Act, 1962, came into effective |
| | d. | DOC was transferred to the Ministry of Panchayat |

²³ Prahlad Man Mali, "*Co-operative Movement in Nepal and its Role in Rural Development: Innovations and Challenges*", A Paper Presented in the "Program on Development of Rural Financing Institutions and Co-operatives", Kathmandu, Nepal, 2005.

²⁴ Brochure, *National Co-operative Bank Ltd*, Nepal.

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| 1963 | a. | Establishment of Cooperative Bank |
| | b. | Conversion of Rural Development Blocks into District Panchayat Cooperative section was kept under the District Panchayat |
| 1964 | a. | Initiation of Agriculture Re-organization Programme |
| | b. | Initiation of Supervised Credit System |
| | c. | Transfer of Staff members in Cooperative activities to the Land Reforms programme |
| | d. | Publication of "Sahakarita" (Cooperation). |
| 1966 | a. | DOC was kept under the Ministry of Land Reforms, Agriculture and Food. |
| 1967 | a. | Formation of Central Investigation Committee on cooperatives |
| | b. | Emphasis on 'Sajha Management' in the 7 th point in the Back to the Village National Campaign |
| | c. | Conversion of Cooperative Bank into Agricultural Development Bank (ADB) |
| 1968 | | Transfer of administrative and developmental works being carried out by DOC to the Department of Land Reforms. |
| 1969 | a. | DOC was kept under the control of the Ministry of Land Reform. |
| | b. | Implementation of the Coordinated Agricultural Development Programme |
| | c. | Compulsory Saving for the first time converted into shares in Bhaktapur |
| | d. | Credit and Marketing Cooperative Union was converted into District Cooperative Union |
| | e. | Return of Cooperative promotional and strengthening of activities undertaken by the Department of Land Reform to DOC |
| | f. | Introduction of guided cooperative programme emphasizing qualitative growth through reorganization and amalgamation. |
| 1970 | a. | The second amendment of the Cooperative Society Act, 1959. |
| | b. | Introduction of Cooperative Strengthening Programme. |
| | c. | Establishment of Central Cooperative Strengthening Committee. |
| | d. | Establishment of District Cooperative Strengthening Committee. |
| | e. | Transfer of management of Cooperatives to ADB. |
| 1971 | | The first amendment of Cooperative Societies Rules, 1961 |
| 1973 | | Implementation of Cooperative Education Programme regularly |
| 1976 | a. | Integration of Population Education with Sajha |
| | b. | Implementation of Sajha Programme emphasizing Sajha in a wider scale |
| | c. | The second amendment of Cooperative Society Rules, 1961 |

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| | d. | Compulsory Savings was converted into the share capital of Sajha Society |
| 1977 | | Introduction of Sajha Society Administrative and Financial Regulation, 1977 |
| 1978 | a. | Transfer of Sajha Societies' Management handled by ADB to the managing committee of cooperatives. |
| | b. | Introduction of Sajha Society Financial and Administrative Regulation, 1978 |
| | c. | More emphasis on the qualitative growth of Sajha Societies than on quantitative growth |
| 1980 | a. | Implementation of Small Farmer Cooperatives |
| | b. | Introduction of Sajha Society Financial and Administrative Regulation, 1980 |
| | c. | Special focus on co-operative system in the Constitution of Nepal. |
| 1984 | | Enactment of Sajha Society Act, 1984, for making the cooperative development campaign effective |
| 1985 | a. | Conversion of DOC into Sajha Development Department |
| | b. | Conversion of Cooperative Training Center into Sajha Development Training Center |
| | c. | Conversion of the Regional Cooperative Office into Regional Sajha Development Office |
| | d. | Conversion of the Cooperative Section into Sajha Development Section |
| 1986 | | Announcement_of Sajha Sanstha Rules, 1986, |
| 1987 | a. | Formation of a 17-member 'High Level Central Coordination Commission for making the Sajha campaign more strong and effective |
| | b. | Sajha Development Department was transferred to the Ministry of Agriculture |
| 1988 | | Announcement of compulsory savings to be refunded to the depositors |
| 1990 | a. | Remittance was announced by Government of Nepal up to the interest and compensation exceeding the principle amount in case of a full payment of principal paid by debtors within July, 1991. |
| | b. | Formation of an <i>ad hoc</i> committee for National Sajha Cooperative |
| 1991 | a. | Formation of a seven-member National Cooperative Federation Consultative Committee for submitting its opinion in order to strengthen the Sajha campaign and make it effective. The report presented by the Committee. |
| | b. | Dissolution of Sajha Central Office |
| | c. | Formation of a 11-member National Cooperative Development Board for the preparation of policy based norms, organizational structure its mobilization system, activities of cooperative movement for the preparation of |

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| | | necessary rules, bye-laws and other infrastructure in order to establish organizations from village level to central level. |
| 1992 | a. | Enactment of Cooperative Act, 1992. |
| | b. | Formation of District Cooperative Implementation Committee and an <i>interim</i> steering committee for continuation of cooperatives until January, 1992 |
| | c. | Conversion of Sajha Development Department into DOC. |
| | d. | Conversion of Sajha Development Training Center into CTC. |
| | e. | Conversion of Regional Sajha Development Office into Regional Cooperative Office |
| | f. | Conversion of Sajha Development Section into District Cooperative Office. |
| 1993 | a. | Enactment of Cooperative Society Rules, 1993. |
| | b. | Dissolution of Regional Cooperative Office |
| | c. | Nationwide election of cooperative societies/unions. |
| | d. | Establishment of National Cooperative Federation |
| | e. | Establishment of Central Consumer Cooperative Union. |
| | f. | Establishment of Central Milk Producers Cooperative Union. |
| | g. | Formation of a large number of Single-purpose Cooperatives such as Consumers Cooperatives, Milk Producers Cooperatives, Saving and Credit Cooperatives throughout the country. |
| 1994 | | Publication of "Sahakari Sandesh" (Co-operative Message). |
| 1995 | a. | Distribution of Rs. 31.8 million to the old cooperative employees by NCF as benefits received from Government of Nepal for only one time. |
| 1997 | a. | Reception of the membership from the International Cooperative Alliance (ICA). |
| | b. | Initiative taken by NCF for observance of International Cooperative Day. |
| 1998 | a. | Nepal (NCF/N) was elected for the post of Vice-Chairman of the Agriculture Committee for ICA, Asia and the Pacific Region. |
| 2000 | a. | Nepal (NCF/N) was elected for the post of Chairman of the Agriculture Committee for ICA, Asia and the Pacific Region. |
| | b. | Conversion of Ministry of Agriculture into the Ministry of Agriculture and Cooperatives. |
| | c. | Establishment of the National Cooperative Award by NCF. |
| | d. | Formation of the National Cooperative Development Advisory Working Team and submission of report. |
| | e. | The first amendment in the Section 26 of the Cooperative |

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| | | Act, 1992. |
| 2001 | a. | Announcement of observance of International Cooperative Day by the Government. |
| | b. | Republication of "Sahakari Sandesh " weekly. |
| 2002 | a. | Cooperative Ministers' Conference hosted by Nepal organized by International Cooperative Alliance, Regional Office for Asia and the Pacific, New Delhi in collaboration with National Cooperative Federation of Nepal. |
| | b. | The Ministry of Agriculture and Cooperatives has issued a circular, saying that there is no restriction for the eligibility of 'civil servant' as shareholder of cooperative although the Sec. 14 of the Anti-corruption Act refers to civil servant not eligible to become the shareholder of cooperatives. |
| | c. | Nepal elected for the member of ICA ROAP Standing Committee. |
| 2003 | a. | Establishment of National Cooperative Bank Ltd. |
| | b. | Seventh General Assembly of Network for Development of Agricultural Cooperatives' (NEDAC) was held in Nepal from 29 th Oct. to 1 st Nov.. In which Nepal was elected as Co-Chairman for two years. |
| 2004 | a. | National Cooperative Federation of Nepal established "National Cooperative Development Fund, NCDF |
| | b. | Nepal Government constituted a high level cooperative sector improvement consultative committee under convenorship of the Minister of Agriculture and Cooperatives submitted its report to the Government of Nepal. |
| | c. | Ministry of Finance constituted to study the legal framework and institutional development of the savings and credit cooperative society and National Cooperative Bank under the convenorship of then Member of Ghanashaym Khatiwada submitted it's report to the Ministry of Finance. |
| | d. | Government of Nepal announced the policy of "GAUN-GAUNMA SAHAKARI, GHAR- GHAR MA ROJGARI" through it's budget of the current fiscal year 2061-62 |
| 2005 | a. | Completion of Second National Women Cooperative Congress held at Kathmandu. |
| | b. | Change of Name of MOAC. |
| | c. | Change of name of CTC into Central Cooperative Training Centre. |
| | d. | Change of name of District Cooperative Office into Division Cooperative Office. |
| | e. | Establishment of Regional Level Cooperative Training Office combining with Division Cooperative Office in Kailali, Surkhet, Kaski and Chitawan. |
| | f. | Grant of the sum Rs. 1. Million by Government of Nepal to NCF as a token for NCDF |
| 2006 | a. | Change of Agriculture Policy Unit into Agriculture and |

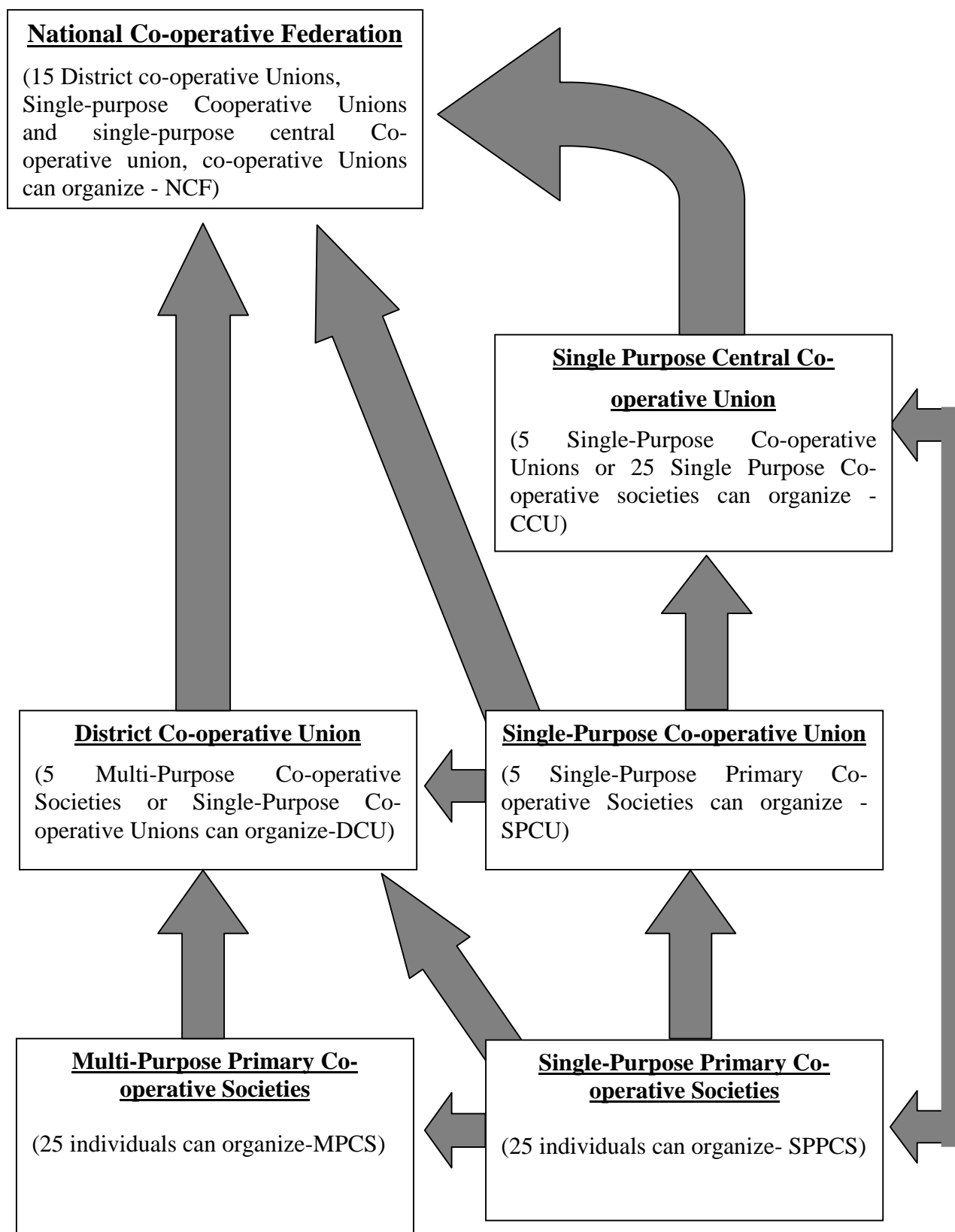
| | | |
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| | | Cooperative Policy Unit in MOAC for coordination and establishing contact about cooperative policy-making. |
| | b. | Election of Nepal as Standing Committee Member of ICA/AP. |
| | c. | Establishment of Central Coffee Producers Cooperative Union |
| | d. | Establishment of Central Fruits and Vegetables producers Cooperative Union. |
| | e. | Election of Nepal as Vice-chairman of Housing Cooperative Foundation. |
| | f. | Beginning of Cooperative Golden Jubilee 2006/7 throughout the country for full year. |
| 2007 | a. | Completion of Cooperative Golden Jubilee 2006/07 with four special cooperative publications. |

Source: National Co-operative Federation of Nepal, © 2007-2008 ncfnepal.com.np

2.1.4 Organization Structure

Co-operative Act 1992 has the provision of three-tier system for agricultural co-operative and four-tier system for non-agricultural co-operative of commodities based co-operatives. The major function of the primary co-operative societies are to benefit the members by providing necessary services, help in development of the members, Socio-economic conditions and the community by providing services in group and community basis disburse loans to members on their need basis as well as provide other services of the betterment of the members. The organization structure of the co-operative organization is shown in the form of a chart.

Organizational Structure of Co-operatives of Nepal



2.1.5 Rules Regarding to Co-operative in Nepal

Most of the countries in the world had already issued proper law for smooth operation of co-operative organization. Britain had issued industrials and provident societies Act in 1852 A.D, which is the first co-operative Act in the world. In 1904 A.D, Co-operative has given legal framework in India. The modern co-operative movement was begun from since 2010 B.S in Nepal. The first co-operative society Act came in effect in 2016 B.S. Development process of co-operative law in Nepal is given as follows:

1. Co-operative Organization Act, 1959 (2016 B.S.)

To develop mutual co-operation, economic development, self-reliance and elimination of poverty, co-operative Act 2016 B.S was came in effect. It was published in Gazette on 3rd Ashad of 2016 B.S and began from 9th Kartik of 2016 B.S. This is the first co-operative Act of co-operative movement in Nepal. People above 16 years having more than 25 members could register co-operative organization. For saving and credit co-operative, members had been same place of same aim and profession could registers organization. After the issuance of co-operative rules 2018, formation, operation and control of co-operative organization became very easy.

2. Co-operative Bank Act, 2019

Co-operative Bank Act, 2019 has issued to provide easily loan to co-operative organization. After issuance of co-operative Bank Act, 2019, co-operative Bank was established in 18th Bhadra 2020 B.S. After, in 2024 B.S, Co-operative Bank was merged in Agriculture Development Bank.

3. Constitution of Nepal, 2019

Third amendment of constitution of Nepal has given legal acceptance to co-operative. It has emphasized co-operative as a formation to development of industry and commerce.

4. Sajha Santha Act, 2041

Sajha Sanstha Act had come in effect in 2041 B.S. This Act has managed the following provisions:

- Industrial Sajha having 15 or more than 15 members.
- Others Sajha Organization having 25 or more members.
- District Sajha Union having 5 or more Sajha Organization.
- National Sajha Union having 15 or more district Sajha union.

5. Co-operative Act, 2048

After the restoration of democracy in 2046 B.S, co-operative Act 2048 has come in effect. The new legislation recognized the democratic character of co-operative movement. Based on this Act, co-operative rules 2049 has come in effect. This Acts has given the independence of co-operatives organization on their members. According to this Act, co-operative must have at least 25 members and should be followed co-operative rules and regulation.

Apart from above mentioned these acts, National Co-operative Development Board Act, 2049 and privatization Act, 2059 also has been come in effect.

2.1.6 Saving and Credit Co-operative in Nepal

Nepal has not able to made separate saving and credit co-operative act till now. After the political changes in Nepal in 1990 A.D. (2047 B.S), co-operative Act, 1992 (2049 B.S) came in effect. According to section 26 of co-operative Act 1992, saving and credit co-operative movement has been exercising in Nepal. There are four kinds of saving and credit co-operative organization in Nepal. They are also follows:

1. Traditional Saving and Credit Co-operatives

These kinds of saving and credit co-operatives encouraged to the members to save and collect saving from them. It provides debt to members for production and consumption functions. The main purpose of establishing these kinds of co-operative is to develop the socio-economic condition of members.

2. Multipurpose Saving and Credit Co-operative

These kinds of co-operatives have different kinds of function. In addition to other function, this kind of co-operatives provide saving and credit facility to their members.

3. Banking Co-operative

These kinds of co-operatives are established according to section 26 of co-operative Act 1992. This type of co-operatives can conduct limited banking activities after obtaining approval from NRB. Nepal Rastra Bank has given them only saving and credit facilities. NRB has issued following provisions for these types of co-operatives:

- These types of co-operative can collect saving and provide credit to both members and other general people.
- These co-operatives can provide limited banking facilities.
- Co-operatives can't accept overdraft and foreign currency.
- Co-operatives can't give current account facilities.
- Co-operatives are able to accept saving and credit up to ten times of paid up capital and one person can issue credit only 10% liquidity found of total collection.
- The difference between interest in saving and credit is not more than 6%.
- To conduct banking facilities, co-operatives have already provided saving and credit facilities in rural areas.

4. Financial Co-operatives

These types of co-operatives have been established according to the sub-section number 1 and section 26 of co-operative Act 1992. The organization which can accept saving from general and provide loans to agriculture, co-operative, industries or specific economic provision is called financial institution. These types of co-operatives have limited rights to provide financial activities.

2.1.7 Current Issues and Challenges of Co-operatives

There have been several commissions and task forces formed for studies in the field of co-operatives. Such commissions and Task Forces include consultative committee for National co-operative federation, 1990; Study on Improvement on organizational structure of co-operative sector, 1999; Task forces for suggestions for co-operative Development, 2000; and High Level co-operative Sector Improvement committee, 2004.

All of the above committees have identified challenges of the co-operative sector and provided their recommendations to overcome them. The challenges identified are mostly too general (the last committee's report has however, tried to go into depth) and focused on what the government should do.

Nepalese saving and credit co-operative organizations are facing so many problems. The current issues of co-operatives are as follows:

1. Lack of Clear Legal Provision

Separate law for saving and credit co-operative hasn't issued yet. Without clear separate law, it is very difficult to provide saving and credit facilities for co-operative organization. It is necessary to formulate separate and clear legal framework for saving and credit organization.

2. Lack of Co-operative Education

Nepalese people are unknown to co-operative education. Without the knowledge of co-operative education, it is very hard to manage co-operative organization. It is necessary to provide training for members, workers and managers by proper co-operative education.

3. Lack of C-ordination

Inter co-ordination is most important for co-operative organization. Without inter co-ordination, co-operative organization will no be sustained. This is the main problem faced by Nepalese co-operative organization haven't been found to develop inter co-ordination or interrelationship with them. As a result it seems vast difference among tem whether they are same in propose.

4. Lack of Federalism

Co-operative is an agitation and it believes on federalism. To mobilized co-operative organization, National co-operative union has already been formed by this union is failed to provide them guardianship and communication of co-operative information.

5. Competition with Commercial Bank and Financial Institution

Saving and credit co-operative organizations are facing problem of competition with commercial bank and financial institutions. Without knowledge of

co-operation, people compare saving and credit organization with Bank. Thus an effective saving and credit co-operative Act has to be formed.

6. Government Organizations are not aware of their Role

The role of government organization is very important for saving and credit co-operative organizations. Co-operative Department, National co-operative Board and District co-operative office are no playing vital role. As result, co-operative movement hasn't able to achieve clear direction.

On the basis of above mentioned fact, it can not be claimed that the co-operative movement has become successful in Nepal. It has many challenges in the coming time. Such as challenge of competition, challenges of exploiting opportunities, challenges of withdrawal of governmental support and assistance and challenges of infrastructure. There are different challenges with the Nepalese saving and credit co-operatives. To quote an example, saving and credit co-operative societies are not registered by the department of co-operative since last few years. There are numbers of challenges that the co-operatives of Nepal are facing. Among them, some of them are as follows:

1. Legal and Regulatory

There is no separate co-operative act in Nepal. The current co-operative act does not even have a separate chapter for co-operative. In addition from last two years the registration of saving and credit co-operatives has been suspended by the Department of co-operative.

2. Lack of Clear Vision of Promoters of Saving and Credit Programs

In Nepal almost all government and non-government organizations have included savings as a component of their various development programs such as literacy group, health group, forest user's group, mother's group, irrigation User's group, agriculture production group and so on and so forth. After the preliminary objective of the group formation is completed the savings and later credit component continues and as the groups grow, the technical assistance need for these groups increases, which in most cases are not provided by the promoters.

3. Lack of Adequate Monitoring

There is very limited institutional capacity of co-operatives to self regulate. At the same time the capacity of Department of co-operatives to monitor also is almost non-existent. NEFSCUN (Nepal Federation of Saving & Credit co-operative union Limited) too has limited capacity to monitor and can not monitor those co-operative that are not its members. There are some cases where some officials of urban based credit co-operatives misused the funds of co-operatives and ran away. Though such cases were very few, that too within the non-communities based co-operatives within the urban areas, but it had a very serious impact on the credibility of the credit co-operative societies.

4. Diversifying Financial Services

Most of the saving and Credit Co operatives have not been able to diversify their financial Services. They remain in providing Saving and credit Services within limited numbers of savings and loan products. Other competitors of savings and credit Co-operatives have started providing micro insurance and even money transfer services. This may, in long run, start membership drop outs in co-operatives.

5. Poor/No linkage with Business Development Services

Most of the credit co-operatives have been unable to link their member with business development services. This has resulted in to stagnancy in the credit need of their member.

In conclusion co-operative movement was successful in increasing the width of the out reach. But increasing the depth has been a challenge. In few cases the co-operatives were promoted within the disadvantaged classes, 'davit's' and women to make sure that the inclusion there, however, in most cases the poorest of the poor and/or the disadvantaged populations of the community have not been able to access services from the co-operatives.

2.2 Review of Related Studies in Nepalese Contexts

Various studies have been carried out regarding the evaluation of co-operative societies. All studies are related on financial position and development aspects. No one has studied on the Financial Soundness and Sustainability sector of rural based co-operative society in Nepal as a case study. Some of the leading and available studies have been reviewed in this study. The present study concerns the Financial

Soundness and Sustainability analysis of the rural based saving and credit co-operative society in Kaski district.

Bishwa Prakash Subedi has been studied on the topic of "Accounting Information System of co-operative in Nepal." His aim was to analyze the working of the accounting system of the co-operatives, their defects and difficulties. He has also aimed to suggest measuring against such problems of the economic development of the country. In his study he has concluded that huge amount of economic resource has been flown to over 881 co-operatives. The study has also suggested to removing the various problems facing the co-operative movement in the country and playing due attention, to developmental activities and controlling the existing irregularities and weakness by establishing sound accounting information system. Many problem of the co-operative of Nepal are not properly identified yet by the concern and interested parties and people near in general not to mention that no productive and unity plans and programs to solve the problems are prepared so far. For this systematic accounting information system is needed. This study societies lack of which id one of the reason of failure of co-operatives and has been conducted specially with reference to Narayanpur co-operative society limited, Chitwan, a Terai Region.²⁵

Man Bahadur B.K. has studied," Financial Performance Analysis of Nepalese Co-operative Societies with reference to District Co-operative Association Ltd. Banepa." His aim was to analyses the strengths and weakness of the association by analyzing the financial statement. In that study, he found that liquidity position of association was sati's factory but it has invested it's found in current assets unnecessarily. The assets utilization position of the association is not satisfactory. The association hasn't maintained its appropriate leverage position. The share capital is not paying any significant role to meet requirement. The funds aren't appropriately managed and well. The financial position. He has concluded that the main cause of weakness of the association is the previous ruling system of the country. Infect, there was no freedom to decide about the association itself the, plans were imposed by the center. The study suggests that co-operative should maintain political neutrality. If cooperatives were managed and utilized properly cooperative can be the back bone.²⁶

²⁵ Bishwa Prakash Subedi, "A Study on the Accounting Information System of Co-operatives of Nepal," Master diss., T.U.,199,p.7.

²⁶ Man Bahadur B.K., "Financial Performance of Nepalese Co-operative Society with Reference to District Co-operative Association Ltd., Banepa." Master diss., T.U,1994 p.127.

Y.P. Pant and S.P. Jain have defined some reasons of failure of co-operative societies in our country in their book entitled "Agricultural Development in Nepal." The main reasons stated by them are inadequacy of trained staffs and defects in organization, inadequacy of fund, and lack of sound and reliable workers lack of confidence in the co-operative movement, unsatisfactory working of the co-operative institutions at some places, lack of co-operation from the rich and well to do people and deficit nature of agriculture and illiteracy amount cultivators.²⁷

Another study has undertaken by Ram Bahadur Katel in 1980 on the topic of "A Study on the Co-operatives Organization of Jhapa District." His main aim was to find strength and weakness of co-operative organization in Dhulabari VDC. In this study he Concluded that Majority of both big and small farmers are found dissatisfied with the loan repayment duration, rate of interest charged by co-operatives, terms and conditions, policies adopted by the cooperative organizations. Only the minority of the farmers is found satisfied with the loan repayment duration policy of co-operative.²⁸

Another study conducted by **Bihari Binod Pokhrel** on the topic of "Co-Operative movement in Nepal. The main objective of this study is to review the overall situation of co-operative movement in Nepal. In this study he found some problems faced by the co-operative movement which are; lack of co-operative education and training lack of fund and spontaneity towards co-operation, lack of loyalty and efficient management, absence of lonely service and political interferences, lack of specific and stable policy and center level organization, absence of good publicity and good process of loan disbursement and payment. This study stressed the role of Sajha societies resources utilization of funds mandating activities reveals that there is a great need for reutilization in order to make the movement strong and stable.²⁹

M.R. Shrestha has conducted another study on the topic of "The Role of Co-Operative Society in the Economic Development."The main objective of this study was to find out the condition of Sajha Co-operatives and utilization of found. From this study he has conducted that the most of the farmers of the Sajha group is better

²⁷ Y.P. Pant and S.P. Jain, *Agricultural Development in the Nepal*, Bombay, Vora Company, 1968, P.198.

²⁸ Ram Bahadur Katel, "A Study on the Co-operative Organizations of Jhapa District," Master diss., T.U .2040 B.S., P.93.

²⁹ Bihari Binod Pokhrel, 'A Study of the Co-operative Movement in Nepal.' Ph.D. Thesis, Bihar University, 1998.

regarding the use and money borrowed as they used it for agriculture because of their better knowledge and high efficiency to bear risk.³⁰

S.R. Paudel has studied in 1979 on "Sajha society in Nepal." He has concluded that Sajha Societies in Nepal are neither financially liable nor effective in boosting up the agriculture sector. The major beneficiaries have been the few privileged farmers who have not only misused the credit but also pushed up societies into financial burden.³¹

A study was conducted by Co-operative Training Center in 2049 B.S. on the topic of "Why do co-operative fail". The study has found some remarkable conclusions which are as follows:

1. Programmed structure is the basic drive for the co-operative success. It includes : i) opportunity base on necessity ii) creativeness and iii) integrity
2. Organizational structure visualizes the group activities of the organization. So it can not be a factor to be ignored if co-operative was to succeed. In this respect, we can classify the conclusion into three different parts.
 - i. Communication must flow to all related parties i.e. for the ordinary member, board committee, accounting committee, management and employees etc.
 - ii. Participation of members must be an essential factor for the co-operative success. It is need for chalking out the program for implementation and for decision making.
 - iii. Business Vision: long-term business vision could be prominent element for co-operative success.
3. Internal resource mobilization contributes for the co-operative success. It includes motivation to the members for the collection of capital and to mobilize the fund, equal sacrifice of co-operative and continuous contribution of members is essential.
4. Services to member are the prime objective of the co-operative society because co-operative organizational is for the members and by the members. Following point can be taken as-

³⁰ M.R. Shrestha, " *The Role of Co-operative Society in the Economic Development of Mahankal and Bhadrakali Panchyat*," Master diss., of MA, Economics, T.U., 1978.

³¹ S.R. Paudel, " *Sajha Society in Nepal*." The Economic Journal of Nepal, 1979.

- a. The organization should undertake studies for reforms at the level of member service
- b. Co-operative members must get special service in comparison to the non members and
- c. Equal distribution of service is also a curricula element for the Co-operative.³²

Keshar J. Baral has conducted the study on Financial Health Check up of Pokhara Royal Co-operative Society Limited in the Frame work of PERLS in 2006. His finding were Pokhara Royal Co-operative Society Limited has made sufficient loan loss provision for bad debt loan but it has not made adequate provision to cover the possible loan losses from doubtful and sub-standard loan. It has invested most of its funds in more productive assets and less in non-earning and less productive assets and managed the sources of funds effectively from saving deposits. But, it has a weak institutional capital base as a second line of defence against non performing assets. The highly fluctuating growth rates in key financial variables imply that Pokhara Royal Co-operative Society Limited does not have sound strategy for sustainable growth in its business. But the sign of growth of key variables except to institutional capital show that it has achieved desirable growth during the study period.³³

Puspa Raj Sharma has conducted the study "Microfinance practice and their sustainability in Nepal" in 2006 with the objective to identify and evaluate the effectiveness and sustainability of the activities of MFIs (Micro Finance Institutions), their contribution in socio-economic changes and women empowerment, comparison of MFIs performance of Nepal and Bangladesh and to evaluate financial and institutional viability and overall sustainability of selected MFIs. He found that the microfinance leads to social and economic changes in the borrowers after the participation in the program. Woman empowerment showed the positive changes with high level confidence in decision making, participation in social activities, gender equality and control of income. He also concluded that MFIs program increase income and saving which meet their emergency needs. Furthermore, microfinance is creating an environment for poverty alleviation and rural development but the overhead and office expenses of the MFIs of Nepal are higher than Bangladesh.

³² Co-operative Training Center Publication, *Co-operative Adhyan Mala*, vol. 6, 2055.

³³ Keshar.J.Bharal, ' *Financial Health Check-up of Pokhara Royal Co-operative Society Limited in the Frame Work of PEARLS*' The Journal of Nepalese Business Studies, Vol.III, Published by Faculty of Management, PNC, Pokhara,2006.

Hence the productivity of Bangladesh MFIs is better than Nepal. In his study he further concluded that, however microfinance is not a solution in itself, other issues of development policy and implementation, which effect women empowerment, poverty reduction and utility of microfinance need to be addressed at proper and appropriate levels.³⁴

Toya Nath Lamsal has conducted the study on "Financial Performance of Nepalese Co-operative Societies with Reference to District Co-operative Associations Ltd. Kaski" in 2000. His findings were Association had invested most of its funds in current assets unnecessarily; problem of over inventory, assets utilization position is not satisfactory having unnecessary fund accumulated in the current assets which the Association is not able to manage. He has also concluded that capital structure of the Association is not sound; there is heavy debt capital as compared to ownership capital. The main sources of external capital were bank loan and gratuity fund (free gift) of the employees of the association. He further concluded that the association is unable to mobilize its fund in profitable sectors. Therefore, the association has been suffering from loss all over 5 years study period.

Sushil Dhal has studied on the topic of "Financial Performance of Co-operative Societies Ltd. Inaruwa, Sunsari district. The main objective of his study was to find out financial position of co-operative society, Inaruwa, Sunsari district. The main finding of his study was that the liquidity position is improving. The capital structure of co-operative society is not sound. There is heavy debt capital as compared to equity for ownership capital. The society hasn't been issuing share for collection capital and raising of loans in those periods has collected most of the funds. Paying rate of interest is very high, providing insufficient amount of dividend, inefficient management, high operating cost etc. are the main variables which reflect the poor financial performance of co-operative society. He also suggested that the society must try to remove all these variables and improve its financial performance significantly.³⁵

Yagya Raj Giri has conducted the study on the topic of "A Case Study of Damak Co-operative Sanstha in Jhapa District" In 1996. The main objective of his study was to evaluate the contribution of Damak Co-operative Sanstha the main findings of his study were that due to lack of capital in time, lack of effective

³⁴ Puspa Raj Sharma, "*Microfinance Practices and their Sustainability in the Nepal.*" Ph.D. Dissertation, Faculty of Management, T.U., Kritipur, 2006.

³⁵ Sushil Dahal, "**Financial Performance of Co-operative Societies Ltd. Inaruwa, Sunsari**", Master diss., T.U., 2053, P.(74-75).

management and lack of people's participation. The Co-operative Sanstha has failed to provide chemical fertilization. In comparison with medium and big farmer, small farmers have got more benefit. By the lack of adequate distribution of agricultural inputs, distribution of credit in time and lack of effective management of big farmers are not satisfied with the service of co-operatives.³⁶

A thesis written by **Yuba Raj Shrestha** on the topic of "An Impact Study of Micro Credit Project for Women in Rural Area: A Case Study of Kaski District" in 2002. The main objective of his study was to assess the economic condition of micro credit project for women in Kaski District in rural area. He has concluded that the micro credit project for women program has improved the livelihood of the targeted women significantly. The program has addressed the gender sensitivity so that social harmony has been feeling in the society. The program with its focus on group activities has helped to enhance the women's confidence and solidarity. It has led to a significant change in their status within and outside their households. He has recommended at the end of his study that skill development training must be provided as demanded by the members. He has also concluded that there should be an effective participation, monitoring and evaluation system to sustain micro credit project for women in Kaski district.³⁷

Gokul Raj Shurma undertook a study in 1999 on the topic of "Comparative Study on the Financial Performance of Co-operative with Reference to Samjhana Multipurpose Co-operative and Nabakshitij Co-operative Society Ltd., Katmandu. The objective of his study was to find out comparative financial position of SMCSL and NCSL by analyzing different type of ratios from his study he has concluded that both co-operative deposit utilization rate is higher in comparison to MCSL. It implies that SMCSL is more active in creating investment opportunities and enhancing business activities than NCSL. The profitability activity and capital structure ratio of SMCSL is better than NCSL. The total debts to assets ratio, total debts to equity ratio, long term debts to total assets, long term debts to capital employed, net fixed assets to net worth ratio and adequacy ratio of the NCSL is very high than of SMCSL. The combined ratio also clearly point out the superiority of performance of SMCSL over

³⁶ Yagya Raj Giri, "A Case Study of Damak Co-operative Sanstha in Jhapa District," Master diss., of MA, Economics, T.U., 1996.

³⁷ Yuba Raj Shrestha, "An Impact Study of Micro Credit Project for Women in Rural Area: A Case Study of Kaski District," Master diss., of MA, T.U., 2002.

the NCSL. Both Co-operative are running in a very slow pace. SMCSL is relatively promises a better future. He also concluded that the co-operatives still lack the business principles and are developing at very slow pace.³⁸

A study was conducted by **Impact Monitoring Unit of German Technical Co-operation (GTZ)** on the topic of "Institutional Sustainability of Small Farmer Co-operative" In June, 2000 A.D. The main objective of this study was to assess the organizational viability of small farmer co-operative society limited and examine the impacts of the program on the living condition of participating small farmers. The study has conducted the small farmer co-operative society limited shows sufficiently strong trait of organizational viability. The economic and social well being of farmers have improved after being a member of small farmer co-operative society limited. The small farmer co-operative societies limited are seemed to be rather weak in their ability to draw resource available around the environment. The present part of organizational growth and development of small farmer co-operative society limited is on a path of overall institutional sustainability.³⁹

Another study was conducted by **Bahawan Prasad Khatiwada** on the topic of "Impact of Training on Co-operative Sustainability" in June 2001. The main objective of his study was to assess the impact of training on co-operative operation and its sustainability. In this study he has concluded that the sustainability of the co-operative is highly depend on the qualitative and quantitative aspect of the training to the co-operatives. The attitude Knowledge and skill situation of the co-operative members was lower than the essential standard. The nature and specialist of the co-operative did not able to follow the generalized program of the training as well as adoptive information.⁴⁰

2.3 Introduction of Jana Sewa Saving and Credit Co-operative Society Limited

In the co-operative history of Nepal, Kaski district reserves its important position. Many traditional co-operative societies had been established in the early days. Modern types of co-operative were established in Nepal simultaneously. Co-operative

³⁸ Gokul Raj Sharama, "A Comparative Study on the Financial Performance of Co-operative with Reference to Samjnana Multipurpose Co-operative Society Limited and Nabakshrij Co-operative Society Limited, Katmandu," Master diss., T.U., Faculty of Management, 1999 P.114.

³⁹ Impact Monitoring Unit of German Technical Co-operative (GTZ), *Institutional Sustainability of Small Farmer Co-operative Limited*, Kathmandu, 2002, P.25.

⁴⁰ Bahawan Prasad Khatiwada, "Impact of Training on Co-operative Sustainability in Sunsari District of Nepal." Master diss., T.U., Faculty of Humanities, Sociology, 2001.

societies of Kaski district contributed much in the field of economy, agriculture, dairy production and other fields. Several co-operatives societies have been established with various aims. In Kaski district, there are 193 co-operative societies till 2064, Ashad. Out of 193 co-operative societies, 31 agriculture co-operatives, 91 saving and credit co-operatives, 22 dairy co-operatives, 4 small farmer co-operatives, 1 herbal co-operative, 1 tea co-operatives, 2 coffee co-operatives, 1 health co-operative, 17 multipurpose co-operatives, and 23 other co-operatives⁴¹

Jana Sewa Saving and Credit Co-operative Society Limited is one of the saving and credit Co-operative society Limited in Kaski district. It is the first Saving and Credit Co-operative in Puranchour VDC, word No.7, Kaski. It is established under the provision of Co-operative Act, 2048 B.S. (1991 A.D.). According to Co-operative Act, 2048, the Co-operative Society or organization may accept saving or deposit only to its members and grants loan only to its member. JSSC is registered in district Co-operative office Kaski in 2050/05/21. It is the second registered Co-operative society in Kaski district. It offers various types of service to its members such as saving and credit facility and provides seeds, fertilizers etc. At the end of the fiscal year 264/065 there were 1082 Co-operative members. Out of total 1082 members, the total number of men is 649 (60%) and women are 433(60%). Only five years annual report from 2060/061 to 2064/065 is undertaken for the study of financial soundness analysis of JSSC. The operational objectives laid down by the JSSC according to its regulation are as follows:

1. To manage co-ordination and mutual help between members and society.
2. To develop self-dependency and self-confidence habit of members.
3. To provide loan to the members for production, income generation and skill making purpose at fair interest and easy terms and conditions.
4. To accept membership of national and international organization which are truly working for development promotion of public economy.
5. To extend inter-co-operative relation with local, regional, national and international organizations having same purpose.

JSSC has laid down following functions:

- To collect and encourage regular saving from its members.

⁴¹ Co-operative Training and Division Office Kaski, *The Entry Book* ,2064 B.S. p.76.

- To provide loan to its members.
- To develop socio-economic condition of its members.
- To provide limited banking services after the achievement of permission from Nepal Rastra Bank (NRB).

CHAPTER III

RESEARCH METHODOLOGY

Research methodology refers to the various sequential steps or methods to be adopted by a researcher. In order to find out a true result, an appropriate research methodology is necessary for an investigation.

The main objective of this study is to evaluate, examine and analyze the financial strengths weakness and sustainability of Jana Sewa Saving and Credit Co-operative Society Limited, Puranchour during the fiscal year 2060/061 to 2064/065 B.S. Further, an attempt is being made to examine whether the selected co-operative (JSSC) has applied co-operative Principles or not and its socio economic impact is satisfactory or not and how far co-operative have been successful in achieving the desire result. The research methodology deals with research design, population and sample, sources of data collection procedures, data processing methods of analysis.

3.1 Research Design

By research design we mean an overall framework or plan for the activities to be under taken during the course of a research study. The research design serves as a frame work for the study, guiding the collections and analysis of the data the research instruments to be utilized and the sampling plan to be followed. Specifically speaking, research design describes the general plan for collecting, analyzing and evaluating data after identifying what the researcher wants to know and what has to be dealt with in order to obtain the required information?⁴²

The research design is an integrated system that guides the researcher in formulating, implementing and controlling the study. Thus, it is an integrated framework that guides the researcher in planning and executing the research work. Research design is the plan to obtain the answer of research questions through analysis of data. Basically, the research design has two purposes. The first purpose is to answer the research questions and the second purpose of a research design is to control variance.

⁴² H.K. Wolff and P.R. Pant, *Social Science Research and Thesis Writing*, 4th ed., Kathmandu: Buddha Acedemic Enterprises Pvt. Ltd.(2005), p.92.

Thus, a research design is a set of instructions to the investigator to gather and analyze data in certain ways. It is therefore a control mechanism to answer the research question. Specifically, type of investigation, the extent to which the researcher would interfere with the normal flows of the events, the setting for the study, what should be the unit of analysis, the time horizon for the study what sampling design should be used, how that data are to be collected and how they are to be analyzed. These decision points are shown in the research design.⁴³

There are various types of research design such as historical research, descriptive research, developmental research, correlation research, causal-comparative research, experimental research, action research, survey research and other types of research.

To achieve the objective of the study, descriptive research design is used with a combination of analytical approach. This study is the framework of case study of the co-operative society limited. Therefore, the design of this research is descriptive and analytical in nature. It is a fact finding operation searching for adequate information to the performance of co-operatives. It is a types of survey study conducted to assess the opinions, behaviors and characteristics of given population and to describe the situation and events occurring at present.

) **Descriptive Research Design**

Descriptive research design is a recent development in the field of research. It seeks to describe a field or a problem by using questionnaire and opinions. Mostly empirical problems are investigated by this approach. It is a fact finding operation searching for adequate data and information. It does not necessarily seek to explain relationships, testing of hypothesis or make predictions.

3.2 Population and Sample

The total number of co-operative organizations of Nepal is 9,400. According to Co-operative Training Center and Division Office Kaski, there are 193 co-operative organizations are registered in Kaski district. Out of these co-operatives, 91 saving and credit co-operative societies are registered. Only 26 are rural based saving and

⁴³ Puspa Raj Sharma, *Research Methodology with SPSS*, 1st ed., Kritipur : Resunga Computer(2007), P.27.

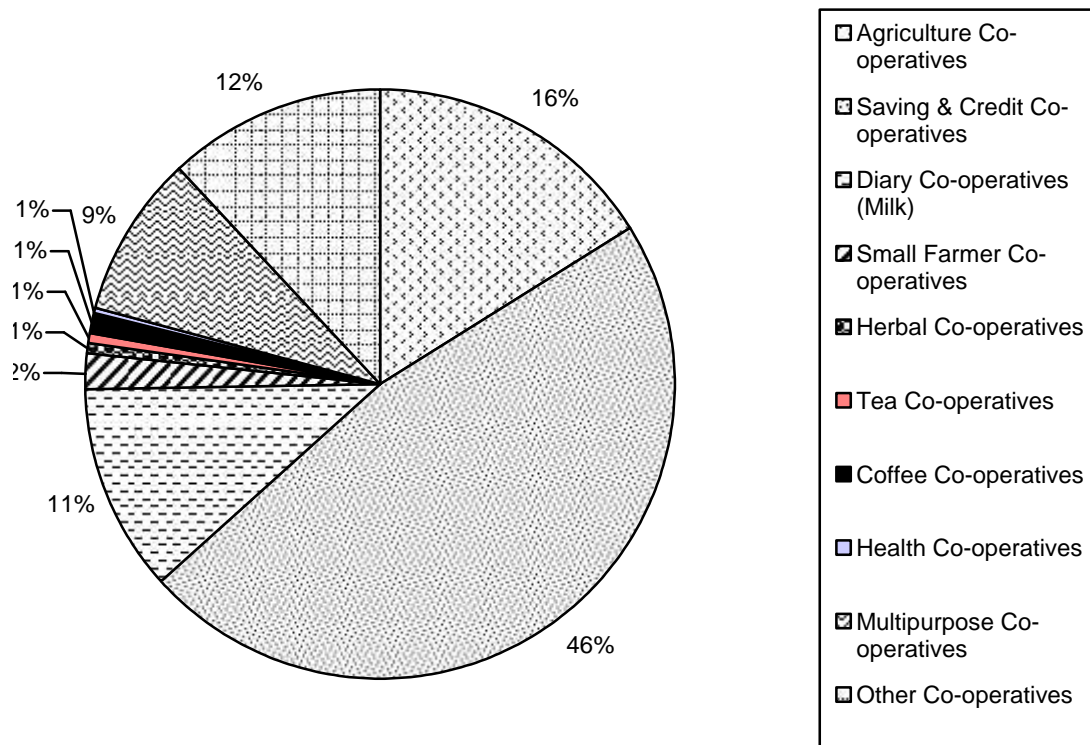
credit co-operatives.⁴⁴ Out of which 12 are mixed saving and credit co-operatives (ie. male and female) and 14 are women saving and credit co-operative organizations. For this research purpose, 12 saving and credit co-operative organizations are taken as total population. But, being a case study of single unit, JSSC is taken as sample which has completed 5 fiscal years of its operation.

Numbers of Co-operative Society Limited according to the classification of Kaski district.

| Types | Numbers | Percentage (%) |
|-------------------------------|---------|----------------|
| Agriculture Co-operatives | 31 | 16 |
| Saving & Credit Co-operatives | 91 | 46 |
| Diary Co-operatives (Milk) | 22 | 11 |
| Small Farmer Co-operatives | 4 | 2 |
| Herbal Co-operatives | 1 | 1 |
| Tea Co-operatives | 1 | 1 |
| Coffee Co-operatives | 2 | 1 |
| Health Co-operatives | 1 | 1 |
| Multipurpose Co-operatives | 17 | 9 |
| Other Co-operatives | 23 | 12 |
| Total | 193 | 100 |

Source: Entry Book of Co-operatives Training & Division Office Kaski, 2064, Ashad, P.76.

⁴⁴ Co-operative Training Center and Division Office Kaski, *The Entry Book, 2064 B.S.*, P.76-78.



3.3 Sources of Data

Required data and information are collected through primary and secondary sources for this study. Basically, this study is based on secondary sources.

) Primary Data

The primary data are collected through unstructured questionnaires, personal visit to the employees of JSSC, interview and discussion with co-operative consultant, members of managing committee, ordinary members and shareholders of the JSSC. The other necessary data and information are carried out to obtain the required result as possible as through concerned fields.

) Secondary Data

All the secondary data and information are collected through different sources like annual report and other published data of JSSC, Co-operative Departments, Co-operative Training and Division Office Kaski, National Co-operative Board, brochure, documents, related journals, publication, master's

dissertations, newspapers, magazines, related books, and related co-operative websites.

3.4 Data Collection Procedures

This study is based on both primary and secondary data. Most of the relevant data and information have been collected through secondary sources. The annual reports, brochure, co-operative books, newspaper, magazines, journals, different publications, co-operative websites are the secondary sources of data which were collected from the concerned fields. Existing literature on the subject matter was collected from various research papers placed in Central Library, Western Regional Library, Public Library etc. Similarly, the primary data and information are gathered through questionnaires, interviews, discussions, personal meeting with the members of JSSC, shareholders, members of management committee etc.

3.5 Data Processing

All the collected data and information from various sources have been properly synthesized, arranged, tabulated and calculated to serve the objective of the study by using appropriate computer software like Microsoft word, Excel etc. Data are processed in such a manner that makes clear picture about the position and situation of JSSC, keeping in mind to achieve the objective of the study.

3.6 Method of Analysis

The collected data and information has been categorized and tabulated according to the objective of the study. Then, it has been analyzed and interpreted through financial and statistical tools and techniques like ratio analysis, Karl Pearson's coefficient of correlation etc. Non financial data and information have been presented in suitable tables and analyzed. The basic financial tools and statistical tools have been summarized as follows:

) Financial Tools

A. Liquidity Ratio

- 1) Cash and Bank Balance to Total Deposit Ratio (CBTDR)

$$\text{CBTDR} = \frac{\text{Cash \& Bank Balance}}{\text{Total Deposits}} \times 100$$

Where,

Cash and Bank Balance = Cash + Current Balance

Total Deposit = Short term and long -term deposits

2) Balance Held with Bank

B. Activity Ratio

1. Loan & Advance to Total Deposit Ratio (LTDR)

$$\text{LTDR} = \frac{\text{Loan \& Advance}}{\text{Total Deposits}} \times 100$$

Where, Loan & Advances = All the short-term and long-term loans
 Total Deposits = Short-term & long-term deposits

C. Profitability Ratio

$$1. \text{ Return on Assets Ratio (ROA)} = \frac{\text{Net Income}}{\text{Total Assets}}$$

Where, Net Income = NPAT

$$2. \text{ Return on Equity Ratio (ROE)} = \frac{\text{Net Income}}{\text{Shareholders' Equity}}$$

$$3. \text{ Return on Total Deposit (ROTD)} = \frac{\text{Net Income}}{\text{Total Deposit}}$$

$$4. \text{ Interest Earned to Total Assets} = \frac{\text{Interest Earned}}{\text{Total Assets}}$$

$$5. \text{ Return on Investment (ROI)} = \frac{\text{Net Income}}{\text{Total Investment}}$$

D. Capital Structure Ratio

$$1. \text{ Total Debt to Assets Ratio} = \frac{\text{Total Debt}}{\text{Total Assets}}$$

$$2. \text{ Total Debt to Equity Ratio} = \frac{\text{Total Debt}}{\text{Shareholder's Equity}}$$

Where, Shareholders' Equity = Net worth

) Statistical Tools

The following statistical tools have been used for the study.

1. Arithmetic Mean

Arithmetic mean of a given set of observation is their sum divided by the number of observation. In general, x_1, x_2, \dots, x_n are the given set of observation, then their arithmetic mean usually denoted by \bar{X} is given by,

$$\bar{X} = \frac{X_1 + X_2 + \dots + X_n}{N}$$

Where, N= No of Observations

\bar{X} = Arithmetic Mean (Average)

2. Coefficient of Variance (C.V.)

The coefficient of variance is the relative measures of dispersion comparable across distribution which is defined as the ratio of the standard deviation to the mean expressed in percentage.

$$C.V. = \frac{\text{Standard Deviation (u)}}{\text{Mean}} \times \frac{S.D.(u)}{\bar{X}} | 100$$

$$\text{Where, S.D.} = \sqrt{\frac{\sum X^2}{N} - \left(\frac{\sum X}{N}\right)^2}$$

3. Karl Pearson's Coefficient of Correlation

Karl Pearson's coefficient of correlation is a mathematical method for measuring the intensity or the magnitude for linear relationship between two variables. A Great British Biometrician and statistician Karl Pearson propounded this theory which is known as Karl Pearson's coefficient of correlation. It is denoted by 'r' (small 'r'). The main objective of computing coefficient of correlation is to find out whether the deposit is proper utilized or not and whether the loan has generated proper output or not which may assist the JSSC to take important decision to its capital structure. The correlation coefficient is computed by applying the following formula.⁴⁵

$$r = \frac{N \sum xy - \sum x \sum y}{\sqrt{N \sum x^2 - (\sum x)^2} \sqrt{N \sum y^2 - (\sum y)^2}}$$

Where,

N= Number of Years

X= Values of X-Variables

Y= Values of Y- Variables

r = Karl Pearson's Correlation Coefficient

The correlation should lies between $\{-1, 1\}$, where correlation of "+ve"1 denotes the perfectly positive correlation between two variables and "-ve"1 denotes the perfectly negative correlation between two variables. When $r = 0$, it

⁴⁵ S.C Gupta, *Fundamentals of Statistics*, 5th ed., Bombay: Himalayan Publishing House, 1992, P. 769.

indicates that there is no relation between two variables and both variables are independent.

4. Probable Error

The probable error of the correlation coefficient is computed to interpret the value and to measure the reliability of the coefficient of correlation. The probable error is computed by using the following formula:

$$\text{P.E.}(r) = 0.6745 \frac{1 Z r^2}{\sqrt{N}}$$

Where, P.E (r) = Probable Error of Correlation Coefficient

Whether the value of 'r' is less than probable error, there is no evidence of correlation then the value of 'r' is not at all significant. But, if the value of 'r' is greater than the probable error, the value of correlation coefficient is said to be significant.

CHAPTER IV

DATA PRESENTATION AND ANALYSIS

The purpose of this chapter is to present, interpret and analyze the available relevant data of JSSC. For the purpose of analysis, research methodology mentioned on earlier chapter. The presentation, analysis and interpretation of data are included into two parts. The first part comprises the position of deposit utilization of the JSSC under analysis and its overall financial position. It will move on analysis of its financial strengths and weaknesses, capital structure and income and expenditure. Main findings from questionnaire, personal interview and group discussion would be presented and analyzed in the second part. Thus, in this chapter, financial position and sustainability position of the case under study would be measured and analyzed.

4.1 Financial Analysis

4.1.1 Deposit Utilization of JSSC

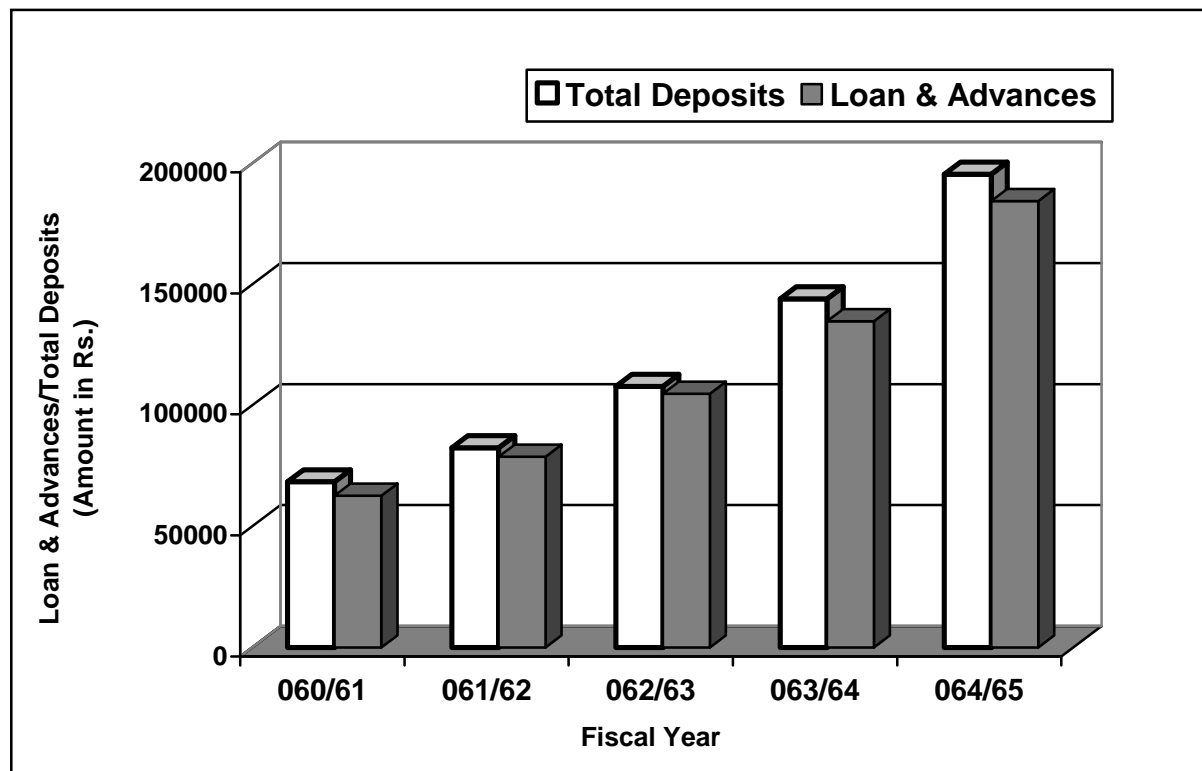
The main functions of this co-operative society are to collect deposits from its members and provide loan to them. Such kinds of saving and credit co-operative organizations have to pay interest to their members on their deposits. They also should pay dividend and bonus to shareholders. To bear these all kinds of expenses, co-operatives have to utilize deposits properly. If deposits are not properly utilized, the co-operatives would be failed to generate proper incomes. The proper utilization of deposits enhances the efficiency of co-operative organizations. Co-operative organizations have to generate reasonable amount of surplus to fulfill their obligations. Both collection and utilization of deposits are two side of a coin. The finding on deposit utilization of JSSC has been tabulated and presented in the following sections.

Table 4.1.1
Deposits Utilization of JSSC

| Fiscal Yeas | Loan & Advances (Rs.) | Growth Index | Percentage Change | Total Deposits(Rs.) | Growth Index | Percentage Change | Deposit Utilization Rate (%) |
|-------------|-----------------------|--------------|-------------------|---------------------|--------------|-------------------|------------------------------|
| 060/61 | 62,66,590 | 100 | - | 68,38,783 | 100 | - | 91.63 |
| 061/62 | 78,71,275 | 125.61 | 25.61 | 82,43,646 | 120.54 | 20.54 | 95.48 |
| 062/63 | 1,04,79,547 | 167.23 | 33.13 | 1,07,76,532 | 157.58 | 30.73 | 97.24 |
| 063/64 | 1,34,67,896 | 214.92 | 28.52 | 1,43,90,423.5 | 210.42 | 33.53 | 93.59 |
| 064/65 | 1,84,32,634 | 294.15 | 36.86 | 1,95,48,883 | 285.85 | 35.85 | 94.29 |
| | | | | | | Average | 94.45 |

Source: Financial Report of JSSC (F.Y. 060/61-064/65)

Figure 4.1.1
Bar Diagram of Total Deposit and Loan & Advances



Above table (4.1.1) and figure (4.11) clearly depicts that the both deposits and loans and advances have been increasing over the period and growth index reflects the similar trend. The percentage change of both loans and advance and total deposits are showing a fluctuating trend. The deposit utilization rate is increasing trend over the first three fiscal years and decrease in 063/64, indicates satisfactory condition. The average deposit utilization rate is 94.45%.

The significance of the relation between two aforesaid variables during the study period can be tested by applying Karl Pearson's Correlation Coefficient denoted by 'r' (small 'r'). The formula for finding out the correlation coefficient by using direct method is as follows.

$$r = \frac{N \sum XY - \sum X \sum Y}{\sqrt{N \sum X^2 - (\sum X)^2} \sqrt{N \sum Y^2 - (\sum Y)^2}}$$

Where,

N= Numbers of Years

X= Values of Loans and Advances

Y= Values of Deposits (Regular Saving of the Members+ Daily Savings+ Term-Saving Deposits)

r = Correlation Coefficient

We have,

$$r = 0.9992 \text{ (See Appendix- 1)}$$

$$\text{P.E. (r)} = 0.6745 \left| \frac{1 \sum r^2}{\sqrt{N}} \right| \times 0.00048$$

$$6 \text{ P.E. (r)} = 6 \left| 0.00048 \right| = 0.00288$$

Since the correlation coefficient between loan & advance and total deposits (r) is more than 0.5 and also so far more than probable error (P.E. (r)), there is high degree positive relationship between the specified variables. Here, 'r' is greater than 6 times of P.E. (r). It indicates that the value of 'r' is significant having positive relationship. It also indicates that the deposit utilization of JSSC is very much satisfactory.

4.1.1.1 Trend Analysis of Deposits Utilization of JSSC

The position of deposit utilization of JSSC can be presented graphically as following figure.

Figure 4.1.2
Trend of Deposits Utilization Rates of JSSC

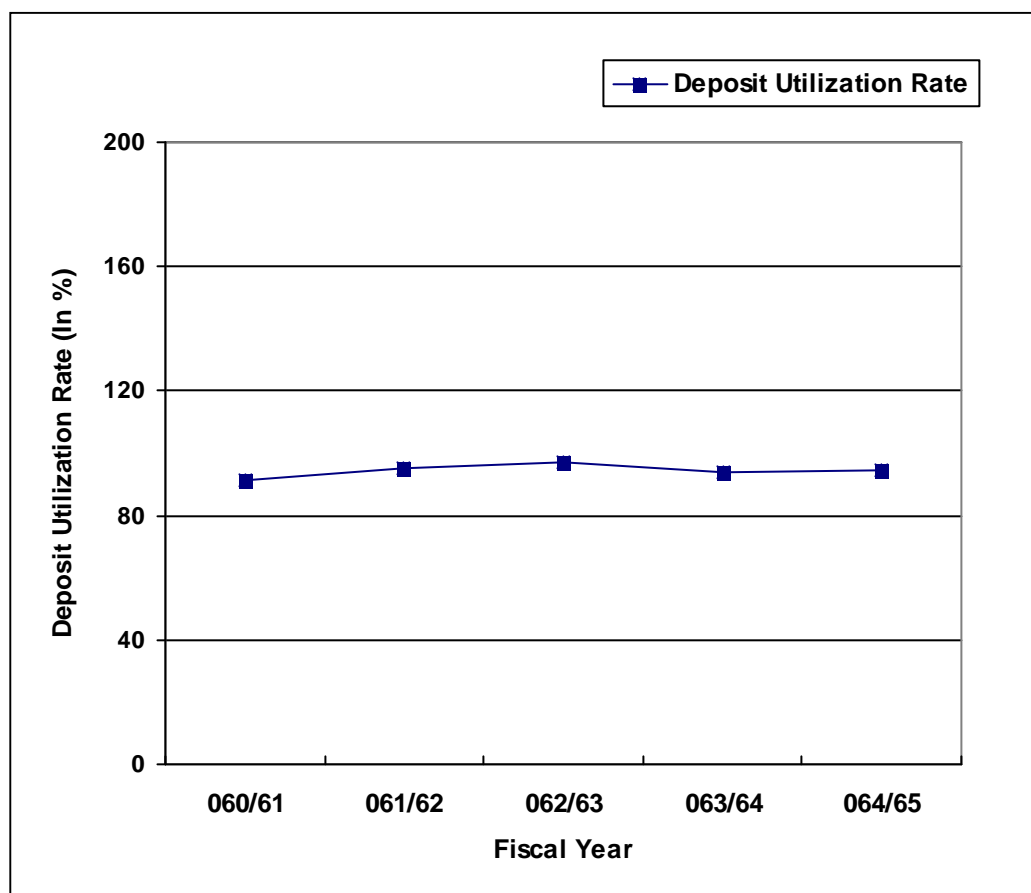


Figure 4.1.3
Trends of Loans & Advances and Total Deposits

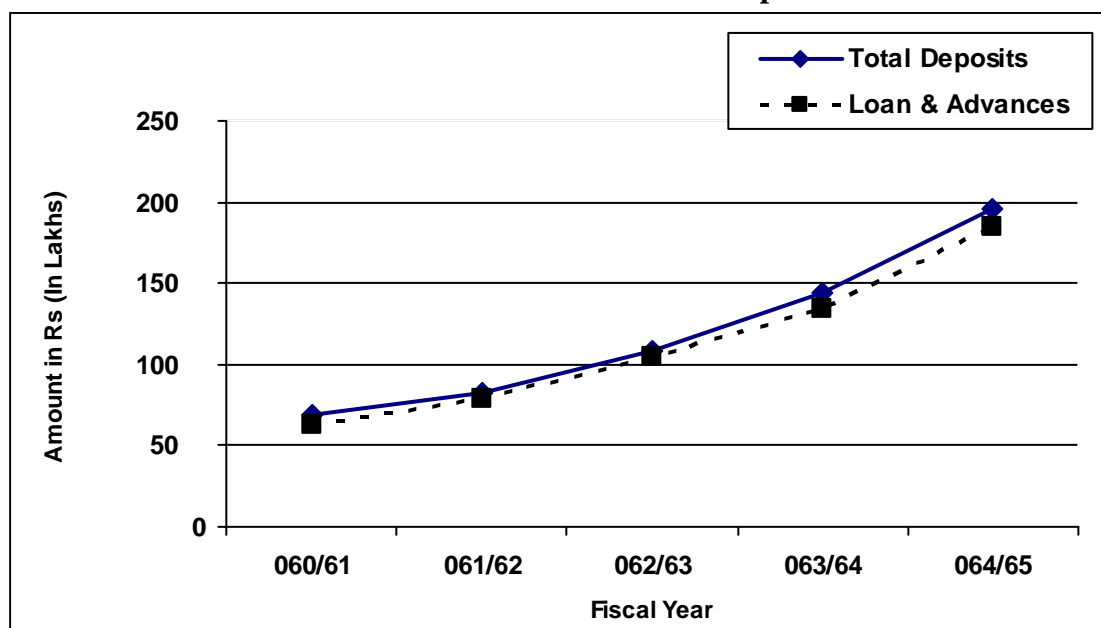


Figure 4.1.2 shows the trend of deposit utilization rate of JSSC during the fiscal year 2060/61 to 2064/65. The figure clearly shows that the deposit utilization rate of JSSC is gradually increasing trends. It represents that the JSSC is utilizing its total deposits in profitable sector or productive sectors through providing loan & advances to its members effectively. The deposit utilization rate of JSSC in fiscal year 2060/61 is 91.63%. In fiscal year 2064/65, the deposit utilization rate of JSSC is reached to 94.29%.

The total deposits and the loans & advances of JSSC are increasing trend during the fiscal year 2060/61 to 2064/65 which is clearly depicts in figure 4.1.3. It means that the JSSC is able to collect its funds from the members in proper way. It also indicates that the JSSC has been utilizing its deposits through mobilizing its fund in productive sector in terms of loans & advances. Therefore the trend of JSSC is upgrading trend.

4.1.2 Ratio Analysis

Ratio analysis is one of the major tools of assessing financial performance of the organization. Financial analysis is the process of identifying the financial strengths and weaknesses of the firm or organization by properly establishing

relationship between the items of the balance sheet and the profit & loss account. Ratio analysis is a widely used tool of financial analysis.

A ratio is defined as the relationship between two or more variables. So, it needs two items to calculate the ratio. Single items have no meaning in the sense of ratio analysis. Therefore, ratio analysis is a comparison between two items. Ratio can be expressed in the terms of percentage, fraction and proportion.

In this section, it is analyzed that the strengths and weaknesses of various aspects of financial profitability and operational structure of JSSC. For this purpose, the analysis is based on the financial statements of the JSSC. The major tools of analysis have been presented in the following manner.

A. Liquidity Ratio

Liquidity is traditionally viewed in terms of cash available in the firm or an organization but the concept of liquidity is radically changed over the time. Liquidity is defined as the capacity to pay cash in exchange of deposits. Liquidity analysis is the first concern of any financial institutions because it addresses the speed at which the assets can be converted into cash.

There should be adequate liquidity position in the firm or an organization in order to meet the demand liabilities of the general public or the creditors of the community. But inadequate liquidity does damage its credit standard as well as it leads the company or any organization to lose the trust of the public if they fail to pay deposits on demand which may probably lead the company to bankruptcy. Generally, current ratio and quick ratio are calculated to find out the liquidity position of the firm. But, these two ratios are considered inappropriate for measuring the liquidity position of the financial institutions and rather applicable in other types of business organizations. Any financial institutions should maintain liquidity in the form of cash and bank balance, investment in government securities and other securities which readily convertible into cash. Therefore, the following measures of liquidity analysis have been calculated.

1. Cash and Bank Balance to Total Deposits Ratio

Cash and bank balance are the form of highly liquid assets which is the lifeline for any firm. They are regarded as a primary reserve. This ratio basically

measures the percentage of most liquid fund with the financial institutions to meet the short term obligations. If there is high cash ratio, it has to pay more interest on deposits and may have to suffer from loss while if there is low cash ratio then the company can not meet its obligations or demands of the public immediately. So, they should maintain sufficient and appropriate cash reserves in order to meet their short term obligations. The cash and bank balance to total deposits ratio of JSSC has been tabulated below. (Detail in Appendix – 2)

Table 4.1.2.1
Cash & Bank Balance to Total Deposits Ratio (CBTDR)

| Ratio | Fiscal Year | | | | | | | |
|----------|-------------|--------|--------|--------|--------|---------|------|---------|
| | 060/61 | 061/62 | 062/63 | 063/64 | 064/65 | Average | S.D. | C.V.(%) |
| CBTDR(%) | 7.44 | 9.79 | 10.19 | 12.56 | 14.43 | 10.88 | 2.41 | 22.15 |

Source : Annual Report of JSSC (F.Y. 060/61 - 064/65)

Table 4.1.2.1 reveals that cash and bank balance to total deposits ratio of JSSC has fluctuated over the different fiscal years. The ratio has ranged from 7.44% to 14.43% .The mean ratio is 13.52% and the coefficient of variation (C.V) is 22.15%. On the basis of C.V., it can be concluded that the ratios are variable and less consistent. The table 4.1.2.1 has been shown in figure 4.1.2.1 as follows

Figure 4.1.2.1
Trend of Cash & Banks Balance to Total Deposits of JSSC

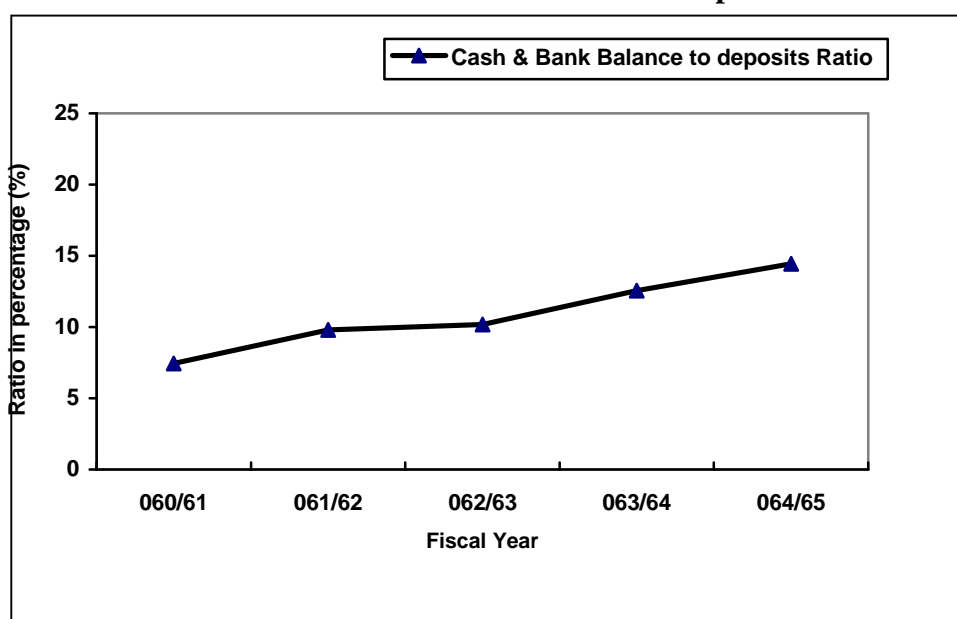


Figure 4.1.2.1 exhibits the cash and bank balance to total deposits ratio of JSSC with in the study period of last five fiscal years. This indicates that the liquidity position of JSSC is better but the higher liquidity positions many not good for any types of organization. The trend of CBTDR is increasing trend which indicates that the JSSC should have to determine fixed liquidity position. Higher liquidity ratio represents that the JSSC is not able to invest its fund in more productive sectors like government securities and as well as its members.

2. Balance Held with Bank

Most of the financial institutions must maintain its satisfactory liquidity position to satisfy the credit needs of the public of the members to meet the depositors demand for cash at any time as well as to inject the confidence in depositors regarding the safety of their deposited funds. Balance held with bank to total deposits ratios of JSSC has been tabulated throughout the concerned fiscal years as below. (Details in Appendix- 3)

Table 4.1.2.2
Balance Held with Bank (%)

| Ratio | Fiscal Year | | | | | | | |
|--|-------------|--------|--------|--------|--------|----------------|-------------|-------------|
| | 060/61 | 061/62 | 062/63 | 063/64 | 064/65 | Average (X) | S.D. (%) | C.V. (%) |
| Balance Held with Bank (%) | 4.49 | 2.85 | 5.56 | 12.28 | 13.23 | 7.68 | 4.24 | 55.21 |

Source: Annual Report of JSSC (F.Y. 060/61-064/65)

Table 4.1.2.2 shows that the JSSC has not been able to maintain the appropriate liquidity position because the co-operative society must not manage such kind of enough liquidity position. Co-operative societies have to manage less liquidity (i.e. $\leq 2\%$) rather than other types of financial institution according to the NRB directives. The ratio has ranged from 2.85% to 13.23%. The average

ratio is 7.68% and the coefficient of variation (C.V.) is 55.21% which indicates that there is lack of consistency due to higher coefficient of variation.

Figure 4.1.2.2

Trend of Balance Held with Bank of JSSC

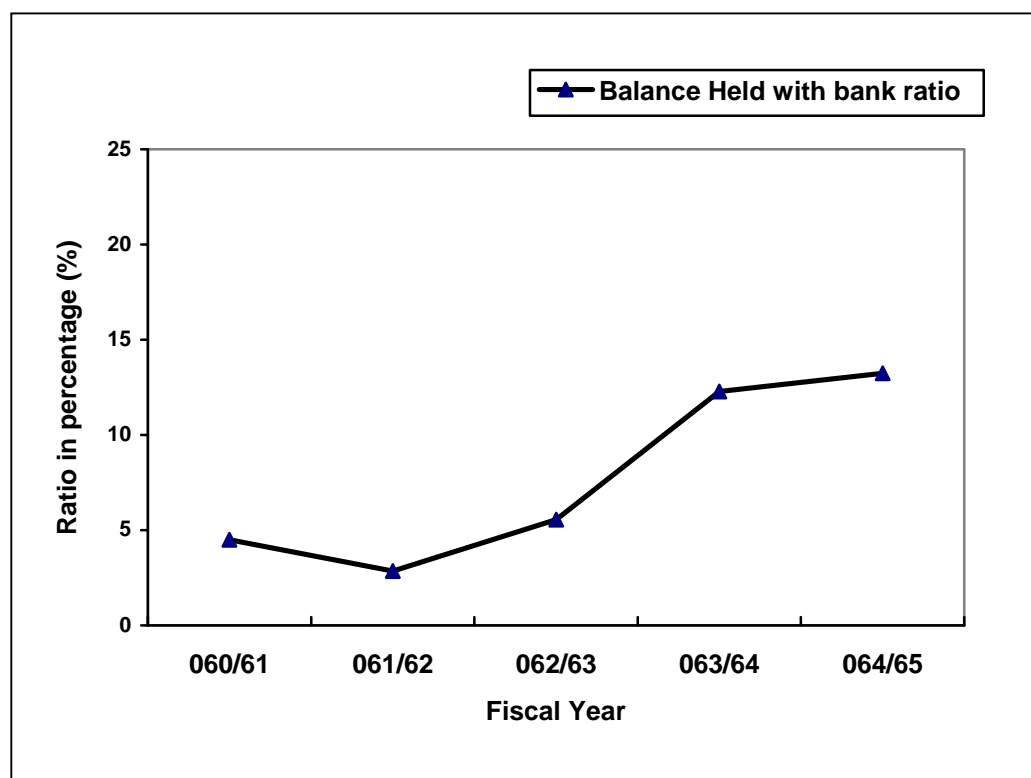


Figure 4.1.2.2 depicts that the bank balance to total deposits ratio throughout the study periods. The ratio is decreasing trend in the first fiscal years 060/61 and the trend is going-up in remaining fiscal years. The bank balance should be decreased and invest in other higher profitable or productive sectors in order to maximize then utilization of its collected funds.

B. Activity Ratio

Activity ratios are the indicators of a concern with regard to its efficiency in assets management. So, they are often referred to as efficiency ratios. In this section, loans and advances to total deposits ratio has been calculated.

1. Loans and Advanced to Total Deposits Ratio

The loans and advances to total deposits ratio measures the extent to which the company are successful in utilizing outsiders fund (i.e. total deposits) in the form of extending loans and advances. A high ratio represents the greater efficiency to utilize the funds provided by the outsiders (i.e. total deposits) and vice versa. But it should be noted that too high ratio might not be better from the view point of liquidity. Loan and advances to total deposits ratio of JSSC has been tabulated below. (Detail in Appendix- 4)

Table 4.1.2.3
Loans & Advances to Total Deposits Ratio

| Ratio | Fiscal Year | | | | | | | |
|---|-------------|--------|--------|--------|--------|----------------------|-----------------|-------------|
| | 060/61 | 061/62 | 062/63 | 063/64 | 064/65 | Average \bar{X} | S.D. () (%) | C.V. (%) |
| Loans and Advance to Total Deposits Ratio (%) | 91.63 | 95.48 | 97.24 | 93.59 | 94.29 | 94.45 | 1.77 | 1.87 |

Source: Annual Report of JSSC (F.Y. 060/61-064/65)

Table 4.1.2.3 shows that the loans and advances to total deposits ratio of JSSC where the highest ratio is 97.24% in F.Y. 062/63 which indicates that there is greater efficiency and higher utilization of its deposited funds in more productive sectors. The lowest ratio is 91.63% and the average ratio is 94.45% with 1.87% C.V between the specified variables (i.e. loans and advances and total deposits). Coefficient of variation (C.V) is more satisfactory level which represents that the calculated ratios are consistent over the study period. The table 4.1.2.3 has been shown in figure as follows.

Figure 4.1.2.3

Trend of Loans & Advances to Total Deposits Ratio

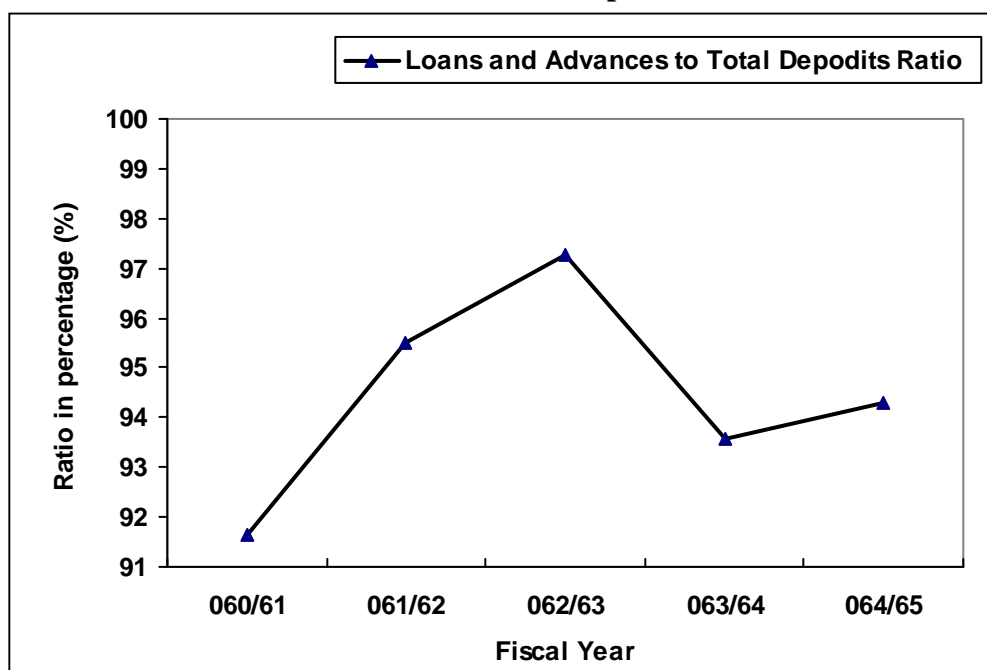


Figure 4.1.2.3 depicts the increasing trend of loans and advances to total deposits ratio of JSSC. It indicates that the deposits has been utilizing in productive sectors effectively. It also indicates that the JSSC is able to collect its funds from its members in proper way and utilizing its funds in a better way.

C. Profitability Ratio

Profit is a circulating blood of any financial institutions. The position of surplus determines the sustainability of any organization. Without surplus, organization cannot survive. Surplus is an indicator of the firm's operational efficiency. Thus, surplus is the ultimate output or co-operatives. Co-operatives have no future if they fail to make sufficient profit. Saving and credit co-operatives have to generate surplus to pay dividend to bear all others obligations. Although co-operatives are not profit oriented organizations, they can not survive without surplus. But co-operative organizations have high social responsibility. Therefore, they have to generate necessary amount of profit.

This study basically has been undertaken with the objective of assessing the profitability of co-operatives with reference to JSSC. Profitability ratio

analysis is the process of identifying the financial strengths and weaknesses of the organization or any firm by properly establishing relationship between the items of the balance sheet and the profit & Loss account. An analytical tool to measure the extent of a firm in a figure is profit. A company or firm must earn sufficient amount of profit to survive and sustain in the future from its operation. Profitability ratios measure the overall performance of the organization by determining the effectiveness of the organization in generating profit.

The ratios which are relevant and suitable for this study are defined, calculated and analyzed as follows.

1. Return on Assets Ratio (ROA)

This ratio indicates the relationship between profit and total assets of the organization. It measures the net income earned on the assets of organization. It indicates the earning power of co-operatives and show how effectively the assets are utilized. In this study, this ratio is examined to measure profitability of all financial resources invested in the co-operatives assets.

The higher ratio indicates the higher utilization of assets and lower ratio indicates the non utilization of assets in full capacity. The return on assets ratio can be calculated by using following formula.

$$\text{Return on Assets (ROA)} = \frac{\text{Net Income}}{\text{Total Assets}}$$

Where, Net income = NPAT

The return on assets ratio of JSSC has been tabulated below. (Details in Appendix – 5)

Table 4.1.2.4
Return on Total Assets (ROA)

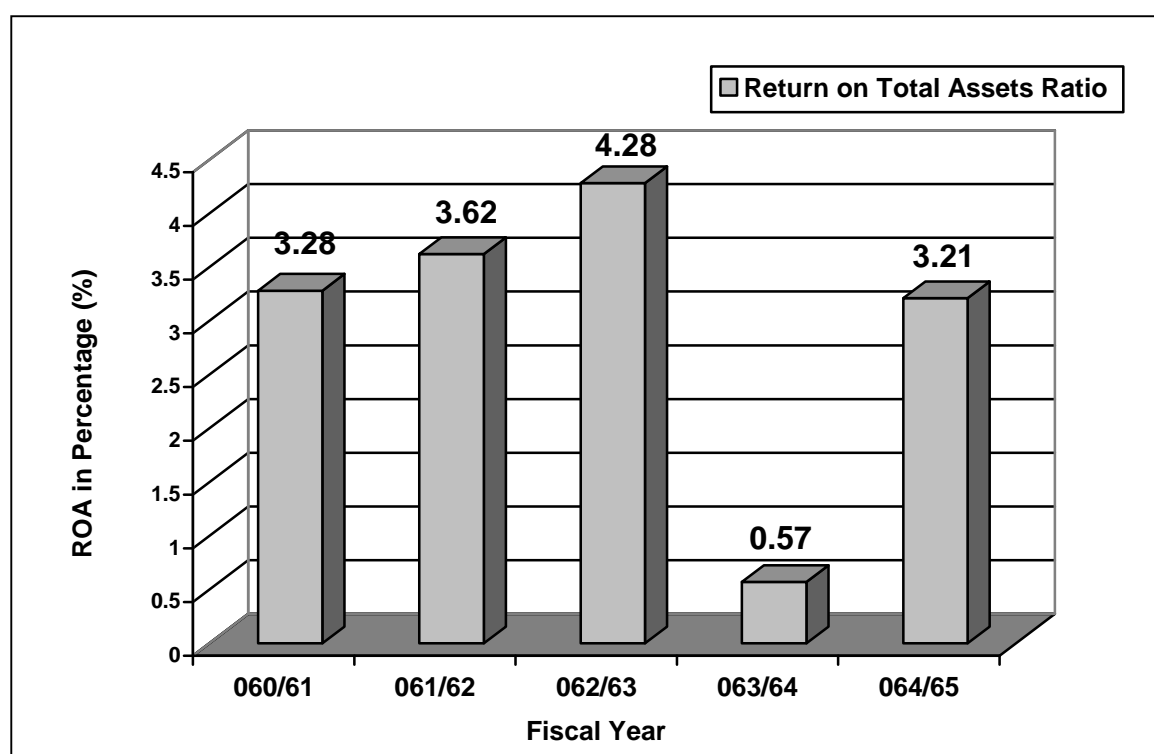
| Ratio | Fiscal Year | | | | | | | |
|---------|-------------|--------|--------|--------|--------|-------------------------|-------------|-------------|
| | 060/61 | 061/62 | 062/63 | 063/64 | 064/65 | Average \bar{fX}^A | S.D. () | C.V. (%) |
| ROA (%) | 3.28 | 3.62 | 4.28 | 0.57 | 3.21 | 2.992 | 1.27 | 42.45 |

Source: Annual Report of JSSC (F.Y.060/61-064/65)

Table 4.1.2.4 shows that the return on total assets of JSSC from fiscal year 060/61 to 064/65 which ranges from 0.57% to 4.28%. The highest ratio is 4.28% in fiscal year 062/63 which indicates the higher utilization of assets in the year. But there exists lower ratio in fiscal year 063/64 which indicates that there is ineffective utilization of assets. In an overall view, there is inconsistency in return on assets which are clearly indicated by the coefficient of variation.

Table 4.1.2.4 has been shown in figure as following bar diagram.

Figure 4.1.2.4
Bar Diagram of Return on Assets of JSSC



2. Return on Equity Ratio (ROE)

The return on equity ratio provides information to management and investors regarding the rate of return earned on invested equity. This ratio examines the profitability position of firm with respect to equity investment. The rate of return earned on the invested equity in differ from the return on assets ratio in that the formal measures the return on funds that are owned by saving and credit co-operatives. It the return on equity is less than inflation rate, the equity of

the co-operatives is reduced each year by the difference. This ratio will also very greatly depend on the capital structure of the co-operatives.

This is one of the important ratios which judge whether the firm has earned a satisfactory return for its equity holders or not. This ratio reveals how the firm has utilized profitability of the owner's fund. So, the higher the ratio, the more favorable it is for the stockholders who represents the sound management and efficient mobilization of the owner's equity. Thus, higher ratio indicates the more efficiency of management on using shareholder's funds and firm's ability of generating profit per rupee of their funds. The return on equity ratio can be computed by using the following formula.

$$\text{Return on Equity (ROE)} = \frac{\text{Net Income}}{\text{Total Equity Capital}}$$

Where,

Net Income = NPAT

Total Equity capital = Net worth

= Paid- up capital + Reserves & Surplus+

Bonus and Other Reserve Funds.

The return on equity ratio has been tabulated below (Details in Appendix -6)

Table 4.1.2.5
Return on Equity (ROE)

| Ratio | Fiscal Year | | | | | | | |
|---------|-------------|--------|--------|--------|--------|-----------------------------|-------------|-------------|
| | 060/61 | 061/62 | 062/63 | 063/64 | 064/65 | Average $\frac{\sum}{X}$ | S.D. () | C.V. (%) |
| ROE (%) | 23.26 | 20.43 | 25.70 | 5.03 | 26.52 | 20.19 | 7.87 | 38.98 |

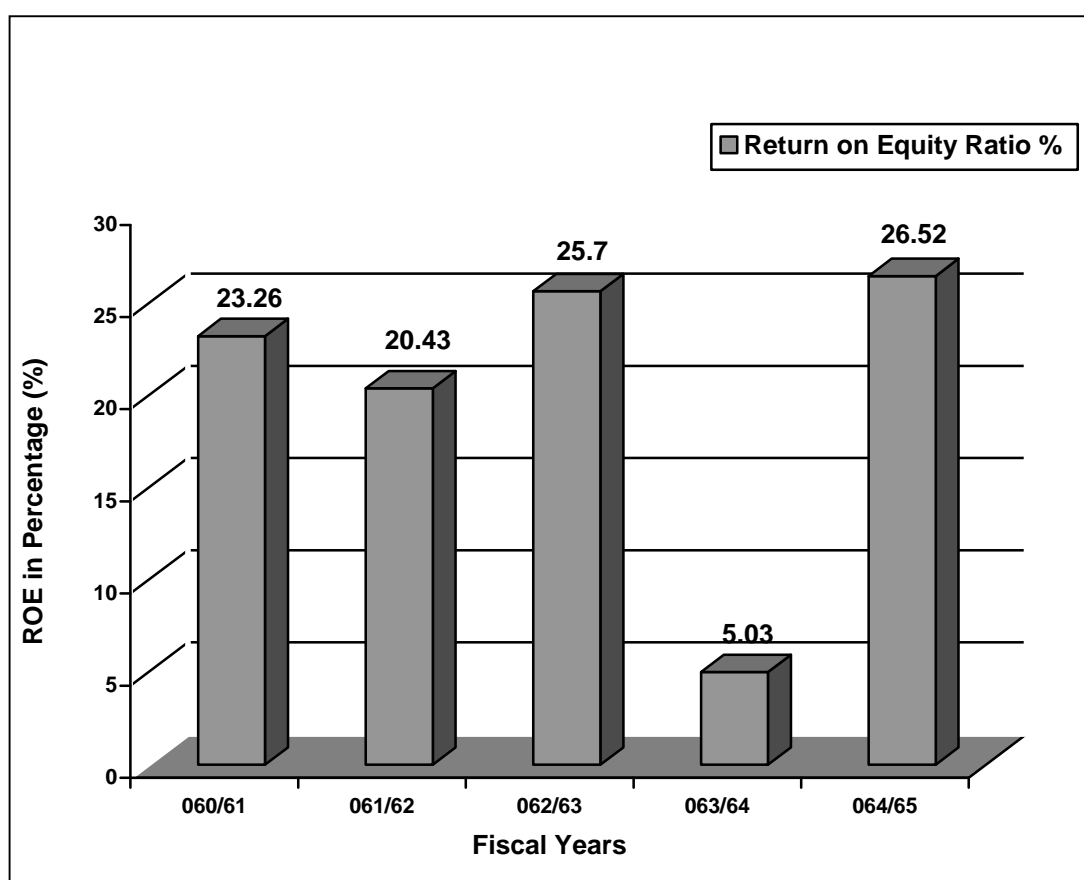
Source: Annual Report of JSSC (F.Y. 060/61-064/65)

The table 4.1.2.5 clearly shows that the return on equity ratios of JSSC is fluctuated over the study periods. The return on equity ratio of JSSC is lower in fiscal year 063/64 which indicates that there is lower efficiency of management in utilizing its shareholder's funds. The highest ratio is 26.52% in fiscal year 064/65 which indicates that there is higher efficiency of management in utilizing its

shareholder's fund as a result, it has been generating high rate of income. The average ratio is 20.19% and the coefficient of variation of JSSC is 38.98% which is satisfactory condition in profitability point of view.

The table 4.1.2.5 has been shown in the following figure as bar diagram.

Figure 4.1.2.5
Bar Diagram of Return on Equity of JSSC



3. Return on Total Deposits (ROTD)

This ratio examines the condition of mobilization and utilization of deposits. It also indicates overall performance of JSSC. This ratio is most important to identify whether the organization is well efficient enough to mobilize its total deposits, so that co-operative action could be supported. This ratio can be computed by using the following formula.

$$\text{Return on Total Deposits (ROTD)} = \frac{\text{Net Income}}{\text{Total Deposits}}$$

The higher ratio indicates better utilization of deposits and lower ratio indicates lower utilization of deposits. Such kinds of saving and credit co-operative organizations have to mobilize and invest the deposits. The return on total deposits ratio of JSSC has been tabulated below. (Details in Appendix- 7)

Table 4.1.2.6
Return on Total Deposits (ROTD)

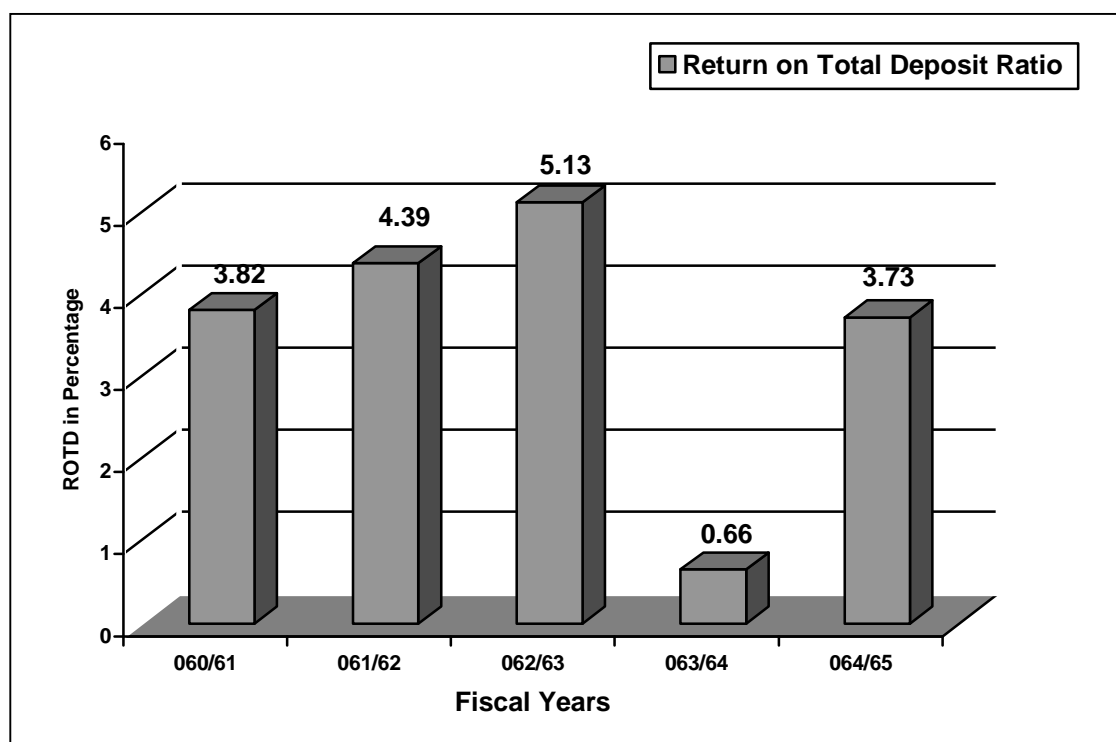
| Ratio | Fiscal Year | | | | | | | |
|---------|-------------|--------|--------|--------|--------|----------------------|-------------|-------------|
| | 060/61 | 061/62 | 062/63 | 063/64 | 064/65 | Average \bar{X} | S.D. () | C.V. (%) |
| ROE (%) | 3.82 | 4.39 | 5.13 | 0.66 | 3.73 | 3.55 | 1.53 | 43.10 |

Source: Annual Report of JSSC (F.Y/ 060/61-064/65)

The table 4.2.2.6 clearly shows that the return on total deposits ratios of JSSC over the periods which are ranged from 0.66% to 5.13%. The mean ratio is 3.55%, standard deviation is 1.53 and the coefficient of variation is 43.10%. It can be concluded that the JSSC is able to generate return on its total deposits. The return on total deposits ratio of F.Y. 062/63 is higher than that of other fiscal years which indicates that the better utilization of total deposits in this fiscal year. But, the ratio is lower in fiscal year 063/64 which indicates that lower utilization of its total deposits. The coefficient of variation of JSSC is less consistent due to having higher C.V.

Figure 4.2.2.6

Bar Diagram of Return on Total Deposits Ratio of JSSC.



4. Interest Earned to Total Assets Ratio (IETA)

This ratio measures the percentage of interest earned in relation to total assets of the saving and credit co-operatives. This ratio helps to find out how total assets are mobilized to generate interest. Such kinds of saving and credit co-operatives invest their deposits to generate certain rate of interest. Generating interest is the major source of income for such kind of micro financial institutions. The interest earned to total assets ratios can be calculated by applying following formula.

$$\text{Interest Earned to Total Assets Ratio (IETA)} = \frac{\text{Interest Earned}}{\text{Total Assets}}$$

The higher ratio of interest earned to total assets reflects the better efficiency in utilizing the resources in income generating sectors and low ratio indicates the lower efficiency in utilizing total assets. The interest earned to total assets ratios of JSSC has been tabulated below. (Details in Appendix-8)

Table 4.1.2.7
Interest Earned to Total Assets (IETA)

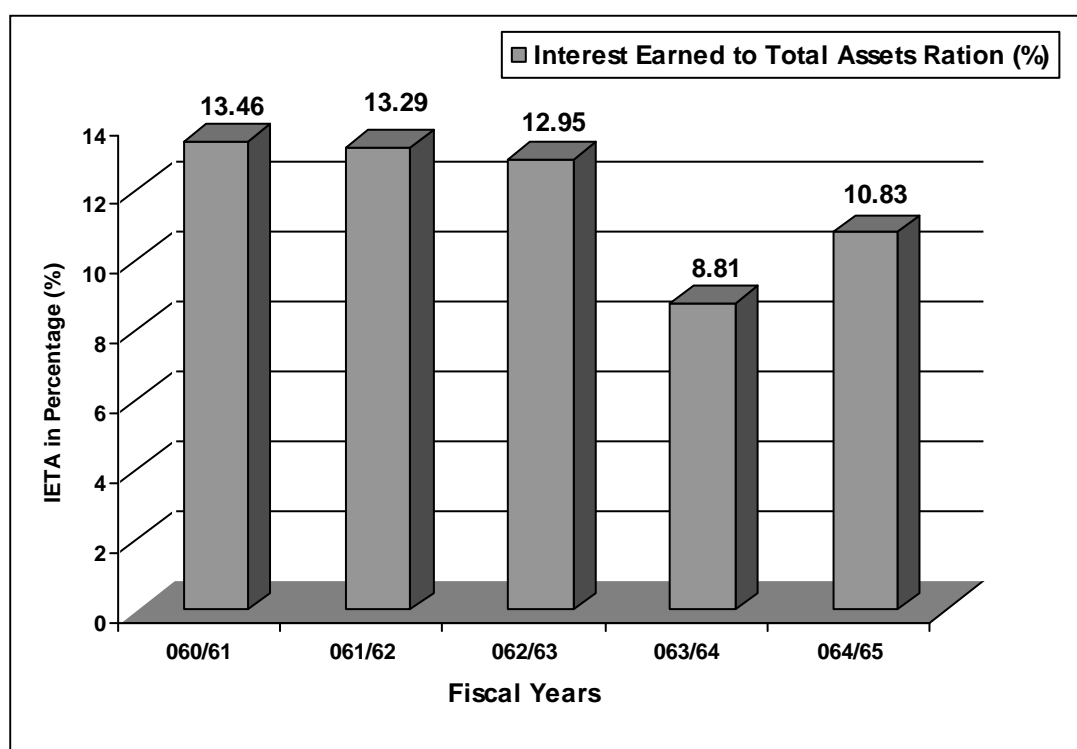
| Ratio | Fiscal Year | | | | | Average \bar{X} | S.D. () | C.V. (%) |
|----------|-------------|--------|--------|--------|--------|----------------------|-------------|-------------|
| | 060/61 | 061/62 | 062/63 | 063/64 | 064/65 | | | |
| IETA (%) | 13.46 | 13.29 | 12.95 | 8.81 | 10.83 | 11.87 | 1.80 | 15.16 |

Source: Annual Report of JSSC (F.Y.060/61-064/65)

The above table shows that the interest earned to total assets is fluctuated over the study period. The mean ratio of interest earned to total assets of JSSC is 11.87%. The coefficient of variation is 15.16% which indicates less variability. That means it is more consistent due to lower coefficient of variation.

The table 4.1.2.7 can be present in graphical representation as below.

Figure 4.1.2.7
Bar Diagram of Interest Earned to Total Assets Ratio



5. Return on investment Ratio (ROI)

Return on investment measures the overall effectiveness of management in generation profit with its available sources. The higher the return on investment the better it is doing in operating and vice versa. The return on investment can be computed by using the following formula.

$$\text{Return on Investment (ROI)} = \frac{\text{Net Income}}{\text{Total Investment}}$$

Where, Net Income = NPAT (Net Profit After Tax)

Total Investment = Loan & Advances + Corporate

Security investment (i.e. Government Bonds, Individual Sectors, Other Company's Shares & Debenture and Other Investments)

Return on investment ratio or JSSC has been tabulated below. (Detail in Appendix – 9)

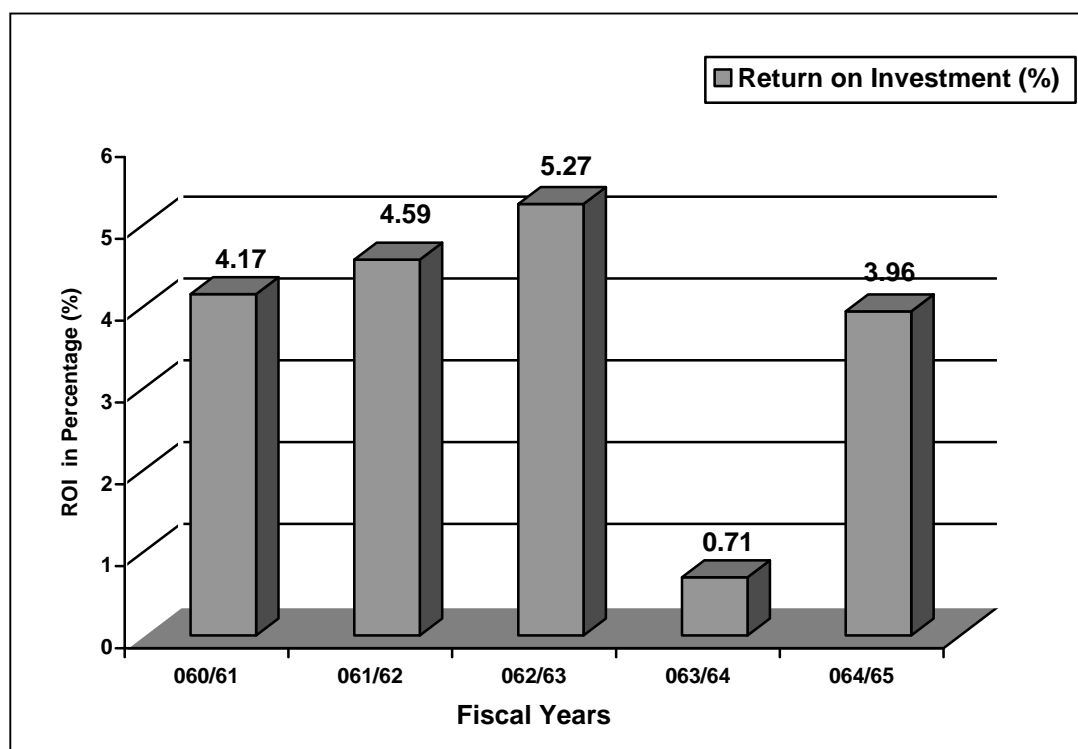
Table 4.1.2.8
Return on Investment (ROI)

| Ratio | Fiscal Year | | | | | Average \bar{X} | S.D. () | C.V. (%) |
|---------|-------------|--------|--------|--------|--------|----------------------|-------------|-------------|
| | 060/61 | 061/62 | 062/63 | 063/64 | 064/65 | | | |
| ROI (%) | 4.17 | 4.59 | 5.27 | 0.71 | 3.96 | 3.74 | 1.58 | 42.25 |

Source: Annual Report of JSSC (F.Y. 060/61-064/65)

Table 4.1.2.8 clearly depicts that the return on total investment ratios of JSSC during the study period from fiscal year 060/61 to 064/65 which is ranged. From 0.71% to 5.27%. The mean ratio is 3.74% with C.V. of 42.25% between them. This indicates that the ratios are more variable due to having higher coefficient of variation. In other words the ratios are less consistent during the study period. The table 4.1.2.8 has been shown in figure as below.

Figure 4.1.2.8



D. Capital Structure Ratio

Co-operatives collect debt from two sources. One of them is short-term source and another is long-term source. Short-term loan is collected from deposits from members, short-term bank loan, other short-term borrowers and credits. Short-term creditors would examine the current financial soundness. Long-term debt can be collected from debenture and loans from financial institutions. Long-term creditors examine the current as well as long-term soundness of co-operatives.

Debt is a risky thing and co-operative has to pay interest to creditors whether the co-operative is making profit or committing losses. When co-operative failed to pay interest to creditors then they can take legal action against the co-operative for liquidation. Therefore management of co-operatives should manage debts properly. This can measure the long term financial soundness of co-operative. The following capital structure ratio has been measured during this study period.

1. Total debt to Total Assets Ratio (TDTAR)

Total debts to total assets ratio indicates the extent of debt financing on the total assets and measures the financial security to the outsiders. From the creditor's point of view, they are interested in low debt ratio which provides sufficient caution against the liquidation. Owners are interested in a high debt ratio because it signifies their earning on the one hand and enables them to maintain their control over the corporation on the other. This ratio can be calculated by using following formula.

$$\text{Total Debt to Total Assets Ratio (TDTAR)} = \frac{\text{Total Debt}}{\text{Total Assets}}$$

Where,

Total Debt = Short- Term Loan + Long- Term Loan + All Deposits

Total Assets = Total Amounts of Assets Side of Balance Sheet

Total Debts include all debts and deposit where as total assets includes both current assets and fixed assets. The total debts to total assets ratio of JSSC has been tabulated below. (Detail in Appendix- 10)

Table 4.1.2.9

Total Debts of Total Assets Ratio (TDTAR)

| Ratio | Fiscal Year | | | | | Average \bar{X} | S.D. () | C.V. (%) |
|--------------|-------------|--------|--------|--------|--------|----------------------|-------------|-------------|
| | 060/61 | 061/62 | 062/63 | 063/64 | 064/65 | | | |
| TDTAR (%) | 85.89 | 82.37 | 83.36 | 88.73 | 85.99 | 85.27 | 2.23 | 2.62 |

Source: Annual Report of JSSC (F.Y. 060/61-064/65)

The table 4.1.2.9 shows that the total debts to total assets ratio of JSSC during the study period. The mean ratio of total debts to total assets is 85.27% with 2.62% coefficient of variation. Lower C.V. indicates better efficiency of the management in utilizing its capital structure. Therefore, JSSC has been utilizing its assets by raising appropriate sources of debt capital.

2. Total Debts to Equity Ratio (TDER)

The debt to equity ratio indicates the contribution of debt capital and equity capital fund to the total investment. This ratio examines the relative claims

of creditors and owners against the firm's assets. Total debts to equity ratio can be calculated by using following formula.

$$\text{Total Debts to Equity Ratio (TDER)} = \frac{\text{Total Debts}}{\text{Shareholders' Equity}}$$

Where,

$$\text{Shareholders Equity} = \text{Net Worth}$$

$$= \text{Total Assets} - \text{Total Liabilities.}$$

Total debts includes current liabilities, long term loans and all types of deposits whereas shareholders equity includes paid – up capital, reserve and surplus, undistributed profit and other reserve funds. A very high ratio is unfavorable from the co-operative standpoint. If ratio is higher then it is difficult to operate co-operative because creditors can unnecessarily give pressure and can interfere. High ratio is risky. In this condition, co-operatives can not earn enough surpluses even to pay interest to creditors. Similarly, a very low debt equity ratio is also unfavorable from the owner's point of view. When the co-operatives earning is in high rate, it is better to leverage in capital structure. Thus, appropriate debt to equity ratio should be maintained by the co-operatives. The total debt to equity ratio of JSSC has been tabulated below. (Details in Appendix-11)

Table 4.1.2.10

Total Debts to Equity Ratio (TDER)

| Ratio | Fiscal Year | | | | | Average \bar{X} | S.D. () | C.V. (%) |
|-------------|-------------|--------|--------|--------|--------|----------------------|-------------|-------------|
| | 060/61 | 061/62 | 062/63 | 063/64 | 064/65 | | | |
| TDER (%) | 6.09 | 0.47 | 5.01 | 7.87 | 7.10 | 5.31 | 2.60 | 48.96 |

Source: Annual Report of JSSC (F.Y. 060/61-064/65)

The above table 4.1.2.10 clearly show that the total debts to total equity ratio of JSSC from the fiscal year 060/61 – 064/65. The ratio is fluctuated from 0.47 times to 7.87 times. The average ratio is 5.31 times and the coefficient of variation is 48.96% which indicates that the JSSC has high leverage ratio.

Debt-equity ratio has important implications from the view point of creditors, owners and the firm itself. The creditors prefer low ratio because it gives the sufficient protection against losses in all the time, more specifically, in

the event of liquidation. Similarly, the owners prefer a high debt equity ratio because the higher use of debt magnifies their earnings and protection from the dilution of control over the firm, which is the golden chance for owners to maximize their value and return by taking the advantage of leverage. Likewise, high debt equity ratio is a bad news for the outsiders because of the higher risk in their investment and lower margin of safety.

E. Growth Ratio

Growth is the major tool for analyzing financial performance of the institution. With regard of this part of the study, growth ratios are calculated. It plays significant role as they are directly related to the mobilization of fund and the investment decision of the company. So, higher the growth ratio, better the performance of the institutions. Basically, in this study growth ratios related to the total deposits, loan and advances, total investment, total assets, share capital and membership of the JSSC have been analyzed.

1. Growth Ratio of Total Deposits

Table 4.1.2.11

| Total Deposits | Fiscal Year | | | | |
|---------------------------------|-------------|-----------|-------------|---------------|---------------|
| | 060/61 | 061/62 | 062/63 | 063/64 | 064/65 |
| Total Current Deposits | 68,38,783 | 82,43,646 | 1,07,76,532 | 1,43,90,423.5 | 1,95,48,883 |
| Total Deposits of last Year End | 49,13,669 | 68,38,783 | 82,43,646 | 1,07,76,532 | 1,43,90,423.5 |
| Growth Ratio (%) | 39.18 | 20.54 | 30.73 | 33.53 | 35.85 |

Source: Annual Report of JSSC (F.Y. 059/60-064/65)

2. Growth Ratio of Loans & Total Investment

Table 4.1.2.12

| Loans & Advances | Fiscal Year | | | | |
|---------------------|-------------|-----------|-------------|-------------|-------------|
| | 060/61 | 061/62 | 062/63 | 063/64 | 064/65 |
| Current Year | 62,66,590 | 78,71,275 | 1,04,79,547 | 1,34,67,896 | 1,84,32,634 |
| Last Year End | 44,90,443 | 62,66,590 | 78,71,275 | 1,04,79,547 | 1,34,67,896 |
| Growth Ratio (%) | 39.55 | 25.61 | 33.14 | 28.52 | 36.86 |

Source: Annual Report of JSSC (F.Y. 059/60-064/65)

3. Growth Ratio of Total Investment

Table 4.1.2.13

| Total Investments | Fiscal Year | | | | |
|----------------------|-------------|-----------|-------------|-------------|-------------|
| | 060/61 | 061/62 | 062/63 | 063/64 | 064/65 |
| Current Year | 62,68,590 | 78,83,275 | 1,04,95,547 | 1,34,83,896 | 1,84,48,634 |
| Last Year End | 44,92,443 | 62,68,590 | 78,83,275 | 1,04,95,547 | 1,34,83,896 |
| Growth Ratio (%) | 39.54 | 25.76 | 33.14 | 28.47 | 36.82 |

Source: Annual Report of JSSC (F.Y. 059/60-064/65)

4. Growth Ratio of Total Assets

Table 4.1.2.14

| Total Assets | Fiscal Year | | | | |
|------------------------|--------------|----------------|----------------|----------------|----------------|
| | 060/61 | 061/62 | 062/63 | 063/64 | 064/65 |
| Current Year | 79,66,064.56 | 1,00,11,899.23 | 1,29,31,334.02 | 1,68,32,714.75 | 2,27,37,510.81 |
| Last Year End | 58,66,527.32 | 79,66,064.56 | 1,00,11,899.23 | 1,29,31,334.02 | 1,68,32,714.75 |
| Growth Ratio (%) | 35.79 | 25.68 | 29.16 | 30.17 | 35.08 |

Source: Annual Report of JSSC (F.Y. 059/60-064/65)

5. Growth Ratio of Share Capital

Table 4.1.2.15

| Share Capital | Fiscal Year | | | | |
|---------------------|-------------|-----------|-----------|-----------|-----------|
| | 060/61 | 061/62 | 062/63 | 063/64 | 064/65 |
| Current Year | 7,53,400 | 11,39,400 | 11,68,400 | 11,83,300 | 13,91,800 |
| Last Year End | 2,32,200 | 7,53,400 | 11,39,400 | 11,68,400 | 11,83,300 |
| Growth Ratio (%) | 224.46 | 51.23 | 2.55 | 1.28 | 17.62 |

Source: Annual Report of JSSC (F.Y. 059/60-064/65)

6. Growth in Membership

Table 4.1.2.16

| Total Members | Fiscal Year | | | | |
|---------------------|-------------|--------|--------|--------|--------|
| | 060/61 | 061/62 | 062/63 | 063/64 | 064/65 |
| Current Year | 749 | 818 | 843 | 1,013 | 1,082 |
| Last Year End | 670 | 749 | 818 | 843 | 1,013 |
| Growth Ratio (%) | 11.79 | 9.21 | 3.06 | 20.17 | 6.81 |

Source: Annual Report of JSSC (F.Y.059/60-064/65)

From table 4.1.2.11 to 4.1.2.16 deposits the growth ratio of total deposits, total loan and advances, total investment, total share capitals and total no. of membership during the study period. The growth ratio of total deposits is increasing trend except the fiscal year 061/62. The Growth ratios of total deposits are 39.18 percent, 20.54 percent, 30.73 percent, 33.53 percent and 35.85 percent respectively. To encourage growth in new saving deposits, aggressive marketing programs should be initiated, which affect the growth of other key areas.

The growth ratio of loans and advances is fluctuating trend which is ranged from 25.52 percent to 3955 percent. It indicates the overall situation in growth of loan and advances appropriate policy about growth in every fiscal year. The growth in total assets provides positive impact on earning of the institution.

There is decreasing growth trend in share capital structure of the JSSC during the study period. In first fiscal year, share capital is increasing maximum percentage as comparison to other fiscal years. The JSSC should have to increase its share capital by applying appropriate policy about increasing its share capital. Share capital helps to maximize shareholder's wealth if there is positive growth in total share capital.

The membership of JSSC is increasing trend where 670 member where in fiscal year 059/60 but the total no. of members are reached to 1082 in fiscal year 064/65. It indicates the clear picture of JSSC. It means indicates the clear picture of JSSC. It means that the interest of participation towards JSSC of the community is attractive. Therefore, JSSC should have maintained its co-operative image in the society or community.

4.2 Performance Analysis

In this section, the study presents the result of the empirical data obtains from the questionnaire survey, which was sent to 30 members of JSSC. The major objective of this study is to evaluate the overall impact of the saving and credit cooperatives in rural areas. Thus, this section consist the analysis of socio economic impact of co-operative and its sustainability. Financial soundness is the most important tool to measure the sustainability but it is not enough to measure. Thus, socio economic impact and performance has to be measured in order to identify sustainability position. The final result from all 30 respondents has been presented and analyzed below.

4.2.1 Impact on Society

Co-operatives have some certain responsibilities towards the society. These are not business organizations. So, social reform is important than profit to these organizations. To fine out the social reform position, respondents were asked what kind of reform they have found after the establishment of saving and credit cooperative. Development of awareness was included as an alternative to identify how many members perceived that their level of awareness of various issues has been enhanced as a result of participation in saving and credit co-operatives. Social development was included to identify how cooperatives helped

to the development of society such as development in infrastructures and social and cultural development. The finding has been presented in the following table.

Table 4.2.1
Social Reform From Saving & Credit Co-operatives

| | Response | | | | |
|--------------------|--------------------------------|--------------------|-----------------|--------|-------|
| | Level of Awareness Development | Social Development | Economic Growth | Others | Total |
| No. of Respondents | 12 | 9 | 6 | 3 | 30 |
| Percentage (%) | 40 | 30 | 20 | 10 | 100 |

Source: Field Survey (F.Y. 064/65)

The table 4.2.1 shows that most of the member responded that the level of awareness has developed as a result of participation in co-operative. Out of 30 respondents, 40% respondents have responded for level of awareness development. Similarly, 30% respondents have responded that the co-operative impacted positively on social development. Likewise 10% respondents have responded for others causes. Thus, it can be concluded that co-operative has impacted towards that social as well as economic development and generation and enhancement of awareness among the participants to a great extent.

4.2.2 Use of Loan

Saving and credit cooperative societies have been providing loan to their members. Loans are used for different purpose. Trade is one of them which includes retails, tea, fruits and vegetable shops. Member has taken loan from co-operative society for different purpose have tabulated below.

Table 4.2.2
Use of Loans for Different Purpose

| | Response of Loan | | | | |
|--------------------|------------------|-------------|-------------------|--------------------------|-------|
| | Trade | Agriculture | Domestic Expenses | Small & cottage industry | Total |
| No. of Respondents | 8 | 14 | 3 | 5 | 30 |
| Percentage (%) | 26.67 | 46.67 | 10 | 16.67 | 100 |

Source: Field Survey (F.Y.064/65)

The above table reveals that out of total respondents 26.67%, 46.67%, 10% and 16.67%, respondents have invested their loan on trade, agriculture, domestic expenses and small and cottage industries respectively. Here, small and cottage industries include been planning (bee keeping), paltry form and others. Most of the members of JSSC have invested their money (i.e. loan) in agriculture sector which may be a productive sector for such kind of rural based co-operative organization.

4.2.3 Change in Income

The respondents were asked what kind of changes were observed in their monthly income patterns after obtaining and utilizing loan from co-operative. The response form respondents have been tabulated below.

Table 4.2.3
Monthly Change in Income

| | Response | | | |
|--------------------|-----------|-------------------|-------------------|-------|
| | No Change | Up to Rs. 2,000/- | Above Rs. 2,000/- | Total |
| No. of Respondents | 4 | 17 | 9 | 30 |
| Percentage (%) | 13.33 | 56.67 | 30 | 100 |

Source: Field Survey (F.Y. 064/65)

Above table shows that the most of member have able to change their income level after obtain the loan from co-operative. Out of total 30 respondents, 13.33% members have not able to utilize their loan in productive sector. It indicates that there is lack of co-operative training and education towards the co-operative members. The results of no changing their monthly income may be due to major portion of loan being used on unproductive sector like domestic expenditure.

4.2.4 Knowledge of Co-operative Act

Without knowledge of co-operative acts, member always remain unknown about co-operatives activities. So, co-operative members have to learn existing co-operative laws. The respondents were asked where they have

knowledge of co-operative act or not. The response from the respondents has been tabulated below.

Table 4.2.4
Knowledge of Co-operative Act

| Response | No. of respondents | Percentage (%) |
|----------|--------------------|----------------|
| Known | 22 | 73.33 |
| Unknown | 8 | 26.67 |
| Total | 30 | 100 |

Source: Field Survey (F.Y. 064/65)

The table 4.2.4 reveals that most of the members of co-operative are known about the members of co-operative are known about the present co-operative. Act and only a few members are unknown about the co-operative act. Out of total respondents, 73.33% are known about the co-operative Act.

4.2.5 Knowledge of Co-operative Regulation

Every organization has its own regulation for smoothly running of organizational activities. The knowledge of regulations is most important to their members. Respondents were asked about the knowledge of regulations of their saving & Credit co-operative. The result of respondents has been tabulated below.

Table 4.2.5
Knowledge of Co-operative Regulation

| Response | No. of respondents | Percentage (%) |
|--------------------|--------------------|----------------|
| Good Knowledge | 19 | 63.33 |
| A little knowledge | 6 | 20 |
| Unknown | 5 | 16.67 |
| Total | 30 | 100 |

Source: Field Survey (064/65)

The above total 4.2.5 indicates that most of the members are known about the co-operative regulations. Out of total respondents 63.33% members have good knowledge and 20% have little knowledge but only 16.67% have not

knowledge about co-operative regulations. The JSSC should have to provide the knowledge about the co-operative regulations to its member.

4.2.6 Opportunities of Training

The respondents were asked that did they get opportunities of co-operative training. The result obtain from the participants has been tabulated below.

Table 4.2.6
Opportunity of Training

| Response | No. of respondents | Percentage (%) |
|----------|--------------------|----------------|
| Yes | 18 | 60 |
| No | 12 | 40 |
| Total | 30 | 100 |

Source: Field Survey (064/65)

Above table (4.2.6) indicates that most of the members have got opportunity for co-operative training. It represent that there is not sufficient training organized to the members. All of the co-operative members should have to take participation in training. Thus, JSSC should provide co-operative training to all of the co-operative members.

4.2.7 Popularity of Saving & Credit Programs

In the study, the respondents were asked their opinion about saving and credit programs. Respondents were asked that whether they think saving and credit whether they thin saving and credit programmer is useful or not. The result from respondents has been tabulated below.

Table 4.2.7
Opinion about Saving & Credit Programs

| Response | No. of respondents | Percentage (%) |
|----------|--------------------|----------------|
| Useful | 28 | 93.33 |
| Useless | - | - |
| Unknown | 2 | 6.67 |
| Total | 30 | 100 |

Source: Field Survey (064/65)

The above table clearly depicts that the saving and credit programs in rural area is useful. All respondents except two expressed position opinion about saving and credit programs.

4.3 Suggestions Received From Respondents

This presentation is based on unstructured questionnaire, interview and discussion with the members of JSSC. The respondents were asked to give proper suggestion they might have in order to reform their saving and credit cooperative organization. Most of them have come up with the similar kind of suggestions. From the unstructured questionnaire, interviews and personal discussions, the following suggestions have been presented in order to reform the saving and credit societies in the rural area.

1. Necessary Training for Members

Co-operative organizations are not business firm. These organizations have to run with the sense of “One for all” and “Service to members”. To develop the co-operative movements it is necessary to ensure the members are well aware about rules and regulations, theory and principles of co-operatives. It is an apparent matter that if the members of cooperative are not trained, the co-operative organizations can not be sustained properly. Almost all respondents expressed the necessity of proper training for members. They expressed that if proper training is given to members, they will be empowered and co-operative movement will be strengthened.

2. Increase Monthly Saving Rate

The JSSC is collecting monthly of Rs. 100 from its members as saving. Some respondents reported that this rate is lower and needs to be increased. All respondents have agreed and given emphasis to increase monthly saving rate. By increasing this rate, the saving habits or members can be increased and co-operative will be able to collect more funds from savings. It can help to increase the level of income for both members and organization.

3 Expansions of Services

Saving and credit cooperative organizations are rapidly expanding through out the country. Even in a short period, these organizations have been able to increase their activities among the rural mass or areas. Co-operative organizations are popular because they are working for the benefit of poor peasant. If their service is expanded, the members will be benefited. More the respondents suggested that saving and credit cooperatives can expand their services by supplying seeds, fertilizer, medicine, technical services to its members. Most of the members of JSSC are farmers who are raising their voice that the saving and credit facilities are not sufficient for alleviation of poverty. With the sense of real co-operation, they have to expand and enlarge services to their member as much as possible.

4. Human Resource Management

Nowadays, saving and credit co-operatives are rapidly growing up and their transaction is increasing day by day. To handle and manage their programs appropriately, the human resources are to be managed properly. The respondents have suggestion that the JSSC should have to appoint sufficient number of trained employees.

5. Provide Loan in Productive Sector

The main objective of the co-operative organization is to alleviate the incidence of poverty. To eliminate poverty, productions are to be increased and self employment is to be created. Saving and credit co-operatives are still not able to promote such field through loan disbursement. Most of the members have taken loan for domestic use which is unproductive sector. As a result, respondents have reported that some time they have problem to repay the loan. When loans are inverted in productive sector, respondents suggested that the income levels of cooperative members could be increased and they would be able to generate income.

6. Provision of Monitoring and Supervision

Only distributing loan is not an important aspect for co-operative organizations. These organizations have to observe and inspect whether the members are proper utilizing loan or not. If loans are not proper utilized, co-operative organization will fail in its mission. Respondents suggested that a proper mechanism for monitoring and supervision to be used.

4.4 Major Findings of the Study

From the above tabulation and analysis of data the following major findings have been drawn.

1. Deposit utilization analysis of JSSC shows the following position.

Loans and advances and total deposit of the JSSC have increased each year. The deposit utilization position of JSSC is quite satisfactory. There is high degree position correlation between loans advances and total deposits over the study period. It indicates that the JSSC has been utilizing its deposits in productive sector through properly.

2. The Cash and bank balance to total deposits ratio of JSSC has been increasing trend over the study period. The highest ratio is 14.43% in F.Y. 064/65 and the lowest ratio is 7.44% in F.Y. 060/61. The mean ratio for the study period is 10.88% and coefficient of variation (C.V) between them is 22.15%. On the basis of C.V. the ratios are variable and less consistent.

3. The balance held with bank is found to be adequate as per NRB provision during the study period. The mean ratio is 7.68% and coefficient of variable (C.V.) is 55.21%. The JSSC has been maintaining over cash balance which should be decreased in order to improve its financial position. According to the NRB directives co-operative societies have to manage less liquidity (i.e. 2% or less) rather than other financial institutions. The higher C.V. indicates that there is less consistency among the calculated ratios.

4. The profitability analysis of JSSC shows the following position.

- i. The return on total assets of JSSC has fluctuating trend ranged from 0.57% to 4.48% the highest ratio is 4.82% and the lowest ratio is 0.57% during the study period. The mean ratio is 2.99% and the coefficient of variation (C.V) is 42.45% which shows that the ratios are more variable and less consistent. In an overall situation, the position of return on total assets is satisfactory.
- ii. The return on equity ratio of JSSC is highest in F.Y. 064/65 (i.e. 26.52%) and lowest at F.Y. 063/64 with 5.03%. The mean ratio is 20.19% and the C.V. between them is 38.98% which is not sufficiently well position for JSSC. The C.V. is higher due to the ratios are more variable.
- iii. The return on total deposits ratio of F.Y. 063/64 is 0.66% which is the lowest during the study period and the highest ratio of 5.13% in 062/63. The maximum return on total deposits has been generating in F.Y. 062/63. The average ratio is 3.55% over the study period. The coefficient of variation is 43.10% which is not sufficient satisfactory position due to having higher C.V.
- iv. Interest earned from total assets of JSSC is consistent due to lower C.V. The Coefficient of variation is 13.16% which represent the ratios are less variable. The mean ratio is 11.87% during the study period which is satisfactory position the JSSC.
- v. The return on total investment ratio of JSSC in ranged from 0.71% to 5.27% with a fluctuating trend. The mean of the ratio is found to be 3.74% with 42.25% C.V. which indicates that the ratios are more variable and not consistent during the study period. However, the position of JSSC is satisfactory level.

In an overall view, the analysis of profitability position of JSSC shows the satisfactory position over the study period because the JSSC is able to generate profit each year.

5. The total debt to total assets ratios are fluctuating trend which are ranged from 82.37% in F.Y. 061/62 to 85.27% in F.Y. 064/65. The mean ratio is 85.27% with 2.26% C.V. which indicates better efficiency of the management in utilizing its capital structure. Lower C.V. represents better efficiency in management as well as the ratios are more consistent during the study period.

6. The mean ratio of total debts to equity of JSSC is 5.31% with 48.96% C.V. which indicates that the ratios are move variable and less consistent between them. The minimum debt to equity ratio is 0.47% in F.Y. 061/62 but the maximum is 7.87% in F.Y. 063/064. Basically the JSSC is able to generate profit form its debt capital. It also able to take advantages of leverage.
7. From the analysis of growth ratios of total deposits, loan & advances, total investment, total assets share capital and the membership of JSS during the study period shows that the JSSC is able to increase it activities and generate profit through out the whole study period. The number of cooperative members is reached to 1082 form 749.
8. Most of the respondents show the positive impact of JSSC towards the society and its activities are helping for solving their problems.
9. The most of the respondents have suggested to improve the cooperative activities like necessary training form members, increased in monthly saving, expansion of services, human resource management, provide loan in productive sector and provision of monitoring and supervision.
10. Ultimately, it is found that the JSSC is operating satisfactory condition with generating certain amount of profit in each year. JSSC is able to affect the members and society because attraction to wards JSSC is increasing trend and it provides co-operative services to the society and increases level of income of the co-operative members as well as the development of economy of the society. So, the financial soundness and sustainability position of JSSC have been remaining satisfactory condition and will be sustained in the future course of actions.

CHAPTER V

SUMMARY, CONCLUSION AND RECOMMENDATION

This chapter basically includes three aspects of the study; summary, conclusion and recommendation. The first part includes with a summarization of the whole study. The second part depicts the conclusion and the last part presents the recommendation based on finding of the study.

5.1 Summary

Co-operatives are the most significant tools for mobilizing scattered savings and use in productive sectors for the benefit of the entire members and the society. The role of co-operative organizations can be regarded as a most important factor for socio-economic development and socio-economic justice. Co-operative organizations contribute substantially to the GDP. Most of the people live in rural areas in Nepal. The per capita income of the Nepalese people is very low. More than 31% of the total population is below the poverty line. Co-operative movement across the world has been emphasized to be an important instrument to attain the sustainable development of the rural poor. For developing countries like Nepal, the co-operative movement can play a significant role to boost up the economic as well as social development.

According to the Co-operative Training Center and Division Office, Kaski, there are 9,400 co-operative societies all over Nepal till 2064 B.S. and 193 co-operative organizations are registered in Kaski district. Out of thousands saving and credit cooperative, only few of them are under the jurisdiction of monitoring authority, NRB. Acts and other huge numbers of co-operatives are under the supervision of Departments of Co-operatives (DOC).

To develop agriculture sector, co-operative can play a vital role. Especially in rural areas of Nepal, saving and credit co-operative's activities could be useful to alleviate poverty. Co-operative organizations are not only providing job opportunities but also different kinds of services to the customers. Co-operative organizations are also opening up for the new employment opportunities.

Financial Co-operatives mobilize capital for productive investment and provide people with secure institutions for the deposit of savings and this is expected to encourage the formation of new enterprises.

Several co-operative societies have been established with various aims in Kaski districts. Jana Sewa Saving and Credit Co-operative Society Limited is one of the important rural based saving and credit cooperative societies in Kaski district. It is established under the provision of Cooperative Act 2048 B.S. JSSC is registered in District Co-operative Office Kaski in 2050/05/21. At the end of the fiscal year 064/65, the total numbers of co-operative members are reached to 1082 from 749 which is sustainable condition for the JSSC.

The review of literature shows that the saving and credit co-operative organization are most significant vehicles for poverty alleviation in Nepal because they encourage people for saving and to invest their money in productive sectors and employment generation sectors. This kind of co-operative organizations are themselves micro financial institutions. Hence, they are the most significant vehicle for mobilizing the scattered saving in productive sectors for the benefit of the poor sections of the society. Formal financial institutions have not been able to expand their services in rural areas of Nepal. Banks and finance companies are concentrated in urban areas. Therefore, most of the poor people are outside the scope of these institutions. As a result, people are compelled to borrow loan from local money lenders, merchant and landlords at an extremely high rate of interest.

According to the literature discussed in pervious chapter (i.e. Chapter-2), the role of saving and credit co-operative organizations can be regarded as a most significant for equitable socio-economic development of the people. The present study concentrates to measure the financial strengths and weaknesses as well as sustainability of JSSC in the society for the future course of action. The annual reports of JSSC have observed for five fiscal years during the fiscal year from 060/061 to 064/65 and information collected from questionnaire survey, personal meeting and discussion have been examined for the purpose of the study. Secondary data are arranged, analyzed and interpreted through the used of various financial and statistical tools such as financial ratio analysis, coefficient

of variation, coefficient of correlation, standard deviation bar diagram, trend analysis etc. Likewise, primary data from questionnaire, discussions and personal meeting are arranged, tabulated and interpreted accordingly.

5.2 Conclusion

Based on the financial analysis of JSSC, findings have been drawn and based on the findings, the conclusions about financial soundness and sustainability have been drawn as its final shape of the study.

The selected co-operative society namely Jana Sewa Saving and Credit Co-operative Society Limited has sound financial position. The financial performance analysis of the co-operative shows that the co-operative is in quite strong position and the financial activities are quite satisfactory. The JSSC is able to utilize deposits and to generate profit in each year. JSSC is running in very low operating and financial costs. From the view point of financial position, JSSC is seems to a sustainable condition. All members of the JSSC are satisfied with operating policy, operating activity and the usefulness of the saving and credit programs. The saving and credit programs are found highly popular. Attraction form membership is increasing in each year. The JSSC is contributing for the socio-economic development of the community. Members are becoming aware about their social and economic condition as well as other contemporary issues to generate income.

On the other hand, members are untrained and unknown about rules and regulations of co-operative mainly about co-operative laws. Most of the members of JSSC are able to bring changes in their income level and they are aware to find alternative sources of income. Sometimes, some co-operative members demand fund for domestic use which is not good for themselves as well as the JSSC. It is not good to invest their fund in unproductive sectors like domestic expenses. Loan disbursement and collection procedures are not very satisfactory.

The sustainability of the co-operatives is highly dependent on the qualitative and quantitative factors. In quantitative aspects, the study analyzed the financial tools and statistical tools in which most of the indicators show financial soundness. But in qualitative aspects, the number of factors like economic

development of the society, social impact, training, popularity of the co-operatives, level of knowledge to the co-operative act and regulations etc which indicates that the stability of organization.

Finally, it can be concluded that the JSSC should have to follow the appropriate strategies to measure the financial soundness and sustainability in order to improve achievements. If the JSSC is able to take corrective actions for its improvements by using effective measures of analysis, social values and norms, the coming future in the co-operative field will be sustained for ever.

5.3 Recommendations

Based on this study and the above conclusion, the following recommendations are made for further improvement in order to enhance the prospects of sustainability of saving and credit co-operative organizations and which has been made as a suggestion over the weaknesses as faced by JSSC for sound financial position and sustainability.

1. Since there are lacks of educated and skilled manpower in the co-operative field, it is recommended to recruit necessary number of trained and skilled manpower for effective management of JSSC.
2. Most of the co-operative members of JSSC are aware about co-operative laws and rules and regulations except some members. So, it is suggested that the JSSC should be provided co-operative rules and regulation, co-operative act and awareness about co-operative organizations by conducting different seminars, workshops and refreshment trainings to the co-operative members of JSSC.
3. Sometimes the loans are distributed to the unproductive sectors like for the purpose of domestic use only. To overcome such type of problems, it is recommended that the loans should be distributed to the productive sectors like trades, agricultures etc. by analyzing the project feasibility.
4. From the result obtained from respondents, they are able to increase the level of income. Therefore, existing saving size is very low and it should be made larger. Thus, it is recommended that the saving scheme should

provide more diversified choice to encourage saving when people have income.

5. There is lack of proper supervision and monitoring in JSSC. Therefore, it is recommended that the JSSC should be followed monitoring and supervision mechanism in the concerned fields whether the loans are being properly used or not.
6. The liquidity position of JSSC is found to be very high so it is recommended that the JSSC should have to look upon new areas of investment. Despite this, the rural economy has always been realizing the credit needs. So, in order to compromise between the liquidity and credit needs of rural economy, it is suggested to expand its credit in those areas where the activities help to minimize the idle fund and also helps to contribute in the upliftment of JSSC, society as well as the whole national economy.
7. The main motto of co-operative societies is to eliminate the poverty. So, it is recommended that the JSSC should be applied poverty elimination programs by managing income generation and self employment programs.
8. Co-operative organizations are the backbone of the rural economy in the present situation. Therefore limited banking authority has to be given to the well managed rural based saving and credit cooperatives like JSSC because the regular saving is reached to near about of Rs. 20 millions.
9. It is also recommended that the JSSC should have to declare its dividend policy which will be helped to know about the dividend policy of JSSC.
10. The government of Nepal presently announced the policy of “GAUN-GAUNMA SAHAKARI, GHAR-GHARMA VAKARI”. To implement the policy, the legal provisions of co-operatives, clear and separate rules and regulations should be formulated. It is also recommended that the co-operative societies should be followed co-operative values norms and universally applied principles.

Finally, the grassroots level institutions like co-operative societies are quite essential for uplifting the social and economic conditions of rural

people. Co-operative organizations have been realized as an effective mechanism of nation building through socio-economic development, emphasizing on income generating activities, making the members awareness and creating social safety. Co-operative members are still suffering in many ways from landlords and moneylenders. The sustainable development of co-operatives is primarily a question of their better performance as per their member's need on the basis of situational values, norms and universally accepted principles. The sustainability of co-operative organizations basically relates with its performance and government policy towards co-operatives which can help to predict its perspective plan in the country phenomena. Thus, the co-operative societies like saving and credit co-operatives are the backbone of the socio-economic development of the country.

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प्रश्नावली (Questionnaires)

तथ्याङ्क संकलन फारम (Form of Primary Data Collection)

सोधपत्र प्रयोजनका लागि तथ्याक्त संकलन गरिन लिएको हुँदा कृपया सहि विवरण उपलब्ध गराई सहयोग गरिदिनु हुनका लागि अनुरोध गर्दछु ।

संस्थाको नाम :

ठेगाना :

सहभागिको नाम :

पेशा :

उमेर :

- १) तँपाई कहिलेबाट यस संस्थाको सदस्य बन्नु भएको हो ?
- २) तँपाईको शैक्षिक स्थितिको बारेमा बताइदिनु होस् न ।
 क) साक्षर ख) एस.एल.सी ग) प्रमाणपत्र
 घ) स्नातक ङ) स्नातकोत्तर च) निरक्षर
- ३) तपाई यस संस्थामा आवद्ध हुनुका कारणहरु प्राथमिकताका आधारमा बताइ दिनुहोस् न
 क) पारिवारिक आम्दानी बढाउन ख) बचत गर्न
 ग) रोजगारीको सिर्जना गर्न घ) क्षमता र स्वाबलम्बनमा वृद्धि गर्न
 ङ) समाजको विकास गर्न
- ४) यस संस्थाको स्थापना वर्ष तँपाईलाई याद होलानी है ? यदि छ भने बताइदिनु होस् न
- ५) यस सहकारीको स्थापना पछि तँपाईको समाजको कुन पक्षमा सुधार भएको देख्नु हुन्छ ? क) चेतना ख) सामाजिक विकास ग) आर्थिक वृद्धि घ) अन्य
- ६) तँपाईले यस संस्थाबाट ऋण लिनु भएको छ ?
 क) लिएको छु । ख) लिएको छैन ।
- ७) तँपाईले कुन प्रयोजनका लागि ऋण लिनु भएको थियो ?
 क) व्यापार ख) कृषि ग) घरेलु तथा साना उद्योग घ) घर खर्च
- ८) तँपाईले यस सहकारीबाट लिएको ऋणले तँपाईको मासिक आम्दानीमा कुनै परिवर्तन भएको छ कि छैन ?
 क) भाएकै छैन । ख) अलिअलि भएको छ ।
 ग) मासिक रु.१००० सम्म वृद्धि घ) मासिक रु.२००० सम्म वृद्धि
 ङ) रु.२००० भन्दा बढी

- ९) सहकारी ऐन २०४८ को बारेमा जानकारी छ कि छैन ?
 क) थाहा छ ख) थाहा छैन ग) अलिअलि थाहा छ
- १०) सहकारिता सम्बन्धी कुनै तालिममा सहभागी हुनुभएको छ ?
 क) भएको छ ख) कहिलेकाँही ग) भएकै छैन
११. यस सहकारीको बैठकमा उपस्थित हुनु हुन्छ कि हुदैन ?
 क) सधैं हुन्छ ख) कहिलेकाँही हुन्छ ग) अहिलेसम्म
 भएको छैन
१२. यस सहकारी संस्थाको विधानको बारेमा जानकारी छ कि छैन ?
 क) पुरै त थाहा छैन ख) अलिअलि थाहा छ ग) खै थाहा
 छैन
 घ) लगभग पुरै थाहा छ
१३. यस संस्थामा संलग्न भएपछि कुनै पेशा रोजगारीमा संलग्न हुने मौका पाउनुभयो ?
 क) व्यापार सुरु गरे ख) घरेलु तथा साना उद्योग
 संचालन
 ग) कृषि व्यवसाय सुधार गरे घ) कुनै पनि छैन
१४. यस सहकारी संस्थाका निर्णयहरू कसरी गरिन्छन् ? बताइदिनुहोस् न ।
 क) कहिलेकाही बहुमतका आधारमा ख) सर्वसम्मतीका आधारमा
 ग) व्यक्तिगत प्रभावका बारेमा
१५. संस्थाले लिने वा दिने व्याजमा कुनै गुनासो छ र ?
 क) छ ख) छैन, यदि भएमा
१६. यस संस्थाका संचालकहरू कसरी चुनिन्छन् ?
 क) सर्वसम्मतीको आधारमा ख) बहुमतका आधारमा
 ग) मनोनित गरिने घ) थाहा छैन
१७. यस संस्थाका चुनौतीहरू के-के छन् ? प्राथमिकताका आधारमा बताइदिनुहोस् न ।
 क) बचत संकलनमा कमी ख) खराव कर्जा
 ग) चर्को व्याजदर घ) स्थायीत्व
१८. यस सहकारी संस्थाको भविष्य कस्तो देख्नुभएको छ ?
 क) ठीकै छ ख) राम्रो छ ग) राम्रो छैन घ) भविष्यले
 देखाउँछ
१९. सहकारीले बचत र ऋण सम्बन्धी काम गर्नु ठीक वा बेठीक के लाग्छ, तपाईंलाई ?
 क) ठीक ख) राम्रै हो ग) खै थाहा भएन घ) बेठीक
२०. विगतमा केही सहकारीहरूका संचालकहरू भागि फरार भएका कारणले थुप्रै बचत कर्ताहरूको लगानी हिनामिना भएको थियो । यस्तो क्रियाकलाप प्रति सचेत हुनुहुन्छ ?

- क) सचेत छु ख) छैन ग) अहिले त भाग्ने सम्भावना देखिदैन
घ) नियम कानून छ नी त
२१. संस्थाका गतिविधिहरु प्रति कत्तिको सन्तोषजनक हुनुहुन्छ ?
क) सन्तोष छु ख) त्यति धेरै छैन ग) सुधानुं पर्ने
देखिन्छ
२२. सहकारीको परिभाषा सम्बन्धी जानकारी छ र तपाईंलाई ?
क) सबैका लागि एक र एकका लागि सबै ख) काम गर्न सजिलो
माध्यम
ग) खै थाहा भएन
२३. यस सहकारी संस्थामा केही सुधार गर्नुपर्ने आवश्यकता छन् भने बताइदिनुहोस् न
।
क) ख)
.....
ग) घ)
.....
ङ) च)
.....

Appendix -1

Computation of Karl Pearson's Coefficient of Correlation of JSSC

Let x = Loans & Advances, y = Total Deposits (In Lakhs)

| Fiscal Year | x | x ² | Y | y ² | xy |
|-------------|------------------|----------------------------------|-------------------|----------------------------------|--------------------|
| 060/61 | 62.6659 | 3,927.015023 | 68.38783 | 4,676.895292 | 4,285.584916 |
| 061/62 | 78.71275 | 6,195.697013 | 82.43646 | 6,795.769937 | 6,488.800467 |
| 062/63 | 104.79547 | 10,982.09053 | 107.76532 | 11,613.36419 | 11,293.31736 |
| 063/64 | 134.67896 | 18,138.42227 | 143.904235 | 20,708.42885 | 19,380.87271 |
| 064/65 | 184.32637 | 33,976.19962 | 195.48883 | 38,215.88265 | 36,033.74054 |
| Total | x = 565.17942 | x ² = 73,219.42445 | y = 597.982675 | y ² = 82,010.34093 | xy = 77,482.316 |

$$\begin{aligned}
 r &= \frac{N \sum XY - \sum X \sum Y}{\sqrt{N \sum X^2 - (\sum X)^2} \sqrt{N \sum Y^2 - (\sum Y)^2}} \\
 &= \frac{5 \mid 77,482.316 - 565.17942 \mid 597.982675}{\sqrt{5 \mid 73,219.42445 - (565.17942)^2} \sqrt{5 \mid 82,010.34093 - (597.982675)^2}} \\
 &= \frac{49,444.07857}{\sqrt{46,669.34546} \sqrt{52,468.42505}} \\
 &= \frac{49,444.07857}{\sqrt{24,48,66,705.4}} \\
 &= 0.9992
 \end{aligned}$$

Calculation of Probable Error of Correlation Coefficient P.E. (r)

$$\begin{aligned}
 \text{P.E. (r)} &= 0.6745 \times \frac{1 - r^2}{\sqrt{N}} \times 0.6745 \mid \frac{1 - (0.9992)^2}{\sqrt{5}} \\
 &= 0.6745 \times \frac{0.00159936}{\sqrt{5}} \\
 &= 0.00048 \\
 6 \text{ P.E. (r)} &= 6 \mid 0.00048 = 0.00288 \\
 r &> 6 \text{ P.E. (r)}
 \end{aligned}$$

Appendix -2

Calculation of Cash & Bank Balance to Total Deposits Ratio

| Fiscal Year | Cash & Bank Balance | Total Deposits | CBTDR (x) [%] | X ² |
|-------------------|------------------------|----------------|------------------|----------------|
| 060/61 | 5,08,946.15 | 68,38,783 | 7.44 | 55.35 |
| 061/62 | 8,06,952.30 | 8,243,646 | 9.79 | 95.84 |
| 062/63 | 10,98,285.58 | 10,776,532 | 10.19 | 103.84 |
| 063/64 | 18,06,933.81 | 1,43,90,423.5 | 12.56 | 157.75 |
| 064/65 | 28,20,307.85 | 1,95,48,883 | 14.43 | 208.22 |
| Total | | | 54.41 | 621.01 |
| Average \bar{X} | | | 10.88 | |
| S.D.(u) | | | | |
| C.V. (%) | | | | |

$$\text{CBDTR} = \frac{\text{Cash \& Bank Balance}}{\text{Total Deposits}} \times 100$$

Cash & Bank Balance = Cash + Current Balance in Bank

Total Deposit = Short- Term & Long -Term Deposits

$$\text{Average or Mean } (\bar{X}) = \frac{\sum X}{N} = \frac{54.41}{5} = 10.88\%$$

$$\text{S.D. (CBDTR)} = \sqrt{\frac{\sum X^2}{N} - \left(\frac{\sum X}{N}\right)^2} = \sqrt{\frac{621.01}{5} - \left(\frac{54.41}{5}\right)^2} = 2.41$$

$$\begin{aligned} \text{C.V. (CBDTR)} &= \frac{\text{S.D.(u)}}{\text{Mean } \bar{X}} \times 100 \\ &= 22.15\% \end{aligned}$$

Appendix- 3

Calculation of Balance Held with Bank to Total Deposits Ratio

| Fiscal Year | Bank Balance (in Rs.) | Total Deposits (in Rs.) | Ratio (%) (x) | x ² |
|-------------------|-----------------------|-------------------------|---------------|----------------|
| 060/61 | 3,06,970.65 | 68,38,783 | 4.49 | 20.16 |
| 061/62 | 2,35,018.52 | 82,43,646 | 2.85 | 8.12 |
| 062/63 | 5,99,373.08 | 1,0,776,532 | 5.56 | 30.91 |
| 063/64 | 17,67,708.81 | 1,43,90,423.5 | 12.28 | 150.79 |
| 064/65 | 25,86,366 | 1,95,48,883 | 13.23 | 175.03 |
| Total | | | 38.42 | 385.03 |
| Average \bar{X} | | | | |
| S.D.(u) | | | | |
| C.V. (%) | | | | |

$$\text{Average or Mean } \bar{X} = \frac{\sum X}{N} = \frac{38.42}{5} = 7.68\%$$

$$\text{S.D (u)} = \sqrt{\frac{\sum X^2}{N} - \left(\frac{\sum X}{N}\right)^2} = \sqrt{\frac{385.03}{5} - \left(\frac{38.42}{5}\right)^2} = 4.24$$

$$\text{C.V} = \frac{u}{\bar{X}} | 100$$

$$= \frac{4.24}{7.68} | 100$$

$$= 53.21\%$$

Appendix-4

Calculation of Loans and Advances to Total Deposits Ratio

| Fiscal Year | Loans and Advances (Rs.) | Total Deposits (In Rs.) | Ratio (%) [X] | x ² |
|-------------|--------------------------|-------------------------|---------------|----------------|
| 060/61 | 62,66,590 | 68,38,783 | 91.63 | 8,396.06 |
| 061/62 | 78,71,275 | 82,43,646 | 95.48 | 9,116.43 |
| 062/63 | 1,04,79,547 | 1,07,76,532 | 97.24 | 9,455.62 |
| 063/64 | 1,34,67,896 | 1,43,90,423.5 | 93.59 | 8,759.09 |
| 064/65 | 1,84,32,632 | 1,9548,,883 | 94.29 | 8,890.60 |
| Total | | | 472.24 | 44,617.79 |
| Average | | | 94.45 | |
| S.D.() | | | 1.77 | |
| C.V. (%) | | | 1.87 | |

$$\text{Loan and Advance to Total Deposit Ratio} = \frac{\text{Loans \& Advances}}{\text{Total Deposits}}$$

$$\text{Average or Mean } \bar{X} = \frac{\sum X}{N} = \frac{472.24}{5} = 94.45\%$$

$$\text{S.D (u)} = \sqrt{\frac{\sum X^2}{N} - \left(\frac{\sum X}{N}\right)^2} = \sqrt{\frac{44,617.79}{5} - \left(\frac{472.24}{5}\right)^2} = 1.77$$

$$\text{C.V} = \frac{u}{\bar{X}} \times 100$$

$$= \frac{1.77}{94.45} \times 100$$

$$= 1.87\%$$

Appendix- 5

Calculations Return on Total Assets Ratio (%)

| Fiscal Year | NPAT (Rs.) | Total Assets (Rs.) | ROA (%) [X] | x ² |
|-------------------|-------------|--------------------|-------------|----------------|
| 060/61 | 2,61,425.74 | 79,66,064.56 | 3.28 | 10.76 |
| 061/62 | 3,62,088.67 | 1,00,11,899.23 | 3.62 | 13.10 |
| 062/63 | 5,52,912.79 | 1,29,31,334.02 | 4.28 | 18.32 |
| 063/64 | 95,550.23 | 1,68,32,714.75 | 0.57 | 0.32 |
| 064/65 | 7,29,998.56 | 2,27,37,510.81 | 3.21 | 10.30 |
| Total | | | 14.96 | 52.80 |
| Average \bar{X} | | | 2.992 | |
| S.D. () | | | 1.27 | |
| C.V. (%) | | | 42.45 | |

$$\text{Average } \bar{X} = \frac{\sum X}{N} = \frac{14.96}{5} = 2.992\%$$

$$\text{S.D. ()} = \sqrt{\frac{\sum X^2}{N} - \left(\frac{\sum X}{N}\right)^2} = \sqrt{\frac{52.80}{5} - \left(\frac{14.96}{5}\right)^2} = 1.27$$

$$\text{C.V.} = \frac{\text{S.D.}}{\bar{X}} \times 100 = \frac{1.27}{2.992} \times 100 = 42.45\%$$

Appendix- 6

Calculations of Return on Equality (ROE) Ratio (%)

| Fiscal Year | NPAT (Rs.) | Total Capital (Rs.) | ROE (%) [X] | x ² |
|-------------------|-------------|---------------------|-------------|----------------|
| 060/61 | 2,61,425.74 | 11,23,981.56 | 23.26 | 541.03 |
| 061/62 | 3,62,088.67 | 17,72,350.23 | 20.43 | 417.38 |
| 062/63 | 5,52,912.79 | 21,51,302.02 | 25.70 | 660.49 |
| 063/64 | 95,550.23 | 18,97,732.25 | 5.03 | 25.30 |
| 064/65 | 7,29,998.56 | 27,52,476.81 | 26.52 | 703.31 |
| Total | | | 100.95 | 2,347.51 |
| Average \bar{X} | | | 20.19 | |
| S.D. () | | | 38.98 | |
| C.V. (%) | | | | |

$$\text{Average } \bar{X} = \frac{\sum X}{N} = \frac{100.95}{5} = 20.19\%$$

$$\text{S.D. ()} = \sqrt{\frac{\sum X^2}{N} - \left(\frac{\sum X}{N}\right)^2} = \sqrt{\frac{2,347.51}{5} - \left(\frac{100.95}{5}\right)^2} = 7.87$$

$$\text{C.V.} = \frac{\text{S.D.}}{\bar{X}} \times 100 = \frac{7.87}{20.19} \times 100 = 38.98\%$$

Appendix- 7

Calculations of Return on Total Deposits Ratio (ROTD)

| Fiscal Year | NPAT (Rs.) | Total Deposits (Rs.) | ROTD (%) (X) | x ² |
|-------------------|-------------|----------------------|--------------|----------------|
| 060/61 | 2,61,425.74 | 68,38,783 | 3.82 | 14.59 |
| 061/62 | 3,62,088.67 | 82,43,646 | 4.39 | 19.27 |
| 062/63 | 5,52,912.79 | 1,07,76,532 | 5.13 | 26.32 |
| 063/64 | 95,550.23 | 1,43,90,423.5 | 0.66 | 0.44 |
| 064/65 | 7,29,998.56 | 27,52,476.81 | 3.73 | 13.19 |
| Total | | | 17.73 | 74.52 |
| Average \bar{X} | | | 3.55 | |
| S.D.() | | | 1.53 | |
| C.V. (%) | | | 43.10 | |

$$\text{Average } \bar{X} = \frac{\sum X}{N} = \frac{17.73}{5} = 3.55\%$$

$$\text{S.D. ()} = \sqrt{\frac{\sum X^2}{N} - \left(\frac{\sum X}{N}\right)^2} = \sqrt{\frac{74.52}{5} - \left(\frac{17.73}{5}\right)^2} = 3.55$$

$$\text{C.V.} = \frac{\text{S.D.}}{\bar{X}} \times 100 = \frac{1.53}{3.55} \times 100 = 43.10\%$$

Appendix - 8

Calculations of Interest Earned to Total Assets Ratio (IETA)

| Fiscal Year | Interest Earned (Rs.) | Total Assets (Rs.) | IETA (%) (X) | x ² |
|-------------------|--------------------------|-----------------------|-----------------|----------------|
| 060/61 | 10,72,255.75 | 79,66,064.56 | 13.46 | 181.17 |
| 061/62 | 13,30,411.87 | 1,00,11,899.23 | 13.29 | 176.62 |
| 062/63 | 16,74,320.29 | 1,29,31,334.02 | 12.95 | 167.70 |
| 063/64 | 14,82,417.23 | 1,68,32,714.75 | 8.81 | 77.62 |
| 064/65 | 24,63,067.19 | 22,73,7510.81 | 10.83 | 117.29 |
| Total | | | 59.34 | 720.40 |
| Average \bar{X} | | | 11.87 | |
| S.D.() | | | 1.80 | |
| C.V. (%) | | | 15.16 | |

$$\text{Average } \bar{X} = \frac{\sum X}{N} = \frac{59.34}{5} = 11.87\%$$

$$\text{S.D. ()} = \sqrt{\frac{\sum X^2}{N} - \left(\frac{\sum X}{N}\right)^2} = \sqrt{\frac{720.40}{5} - \left(\frac{59.34}{5}\right)^2} = 1.80$$

$$\text{C.V.} = \frac{s}{\bar{X}} \times 100 = \frac{1.80}{11.87} \times 100 = 15.16\%$$

Note: Interest Earned = Interest on loan + Additional charges on loan +
Additional Change on Regular Deposits + Interest on Investment

Appendix- 9

Calculations of Return on Total Investment Ratio

| Fiscal Year | NPAT (Rs.) | Total Investment(Rs.) | ROTI(%) (X) | x ² |
|-------------------|-------------|-----------------------|-------------|----------------|
| 060/61 | 2,61,425.74 | 62,68,590 | 4.17 | 17.39 |
| 061/62 | 3,62,088.67 | 78,83,275 | 4.59 | 21.77 |
| 062/63 | 5,52,912.79 | 1,04,95,547 | 5.27 | 27.77 |
| 063/64 | 95,550.23 | 1,34,83,896 | 0.71 | 0.50 |
| 064/65 | 7,29,998.56 | 1,84,48,634 | 3.96 | 15.68 |
| Total | | | 18.70 | 82.41 |
| Average \bar{X} | | | 3.74 | |
| S.D.() | | | 1.58 | |
| C.V. (%) | | | 42.25 | |

$$\text{Average } \bar{X} = \frac{\sum X}{N} = \frac{18.70}{5} = 3.74\%$$

$$\text{S.D. ()} = \sqrt{\frac{\sum X^2}{N} - \left(\frac{\sum X}{N}\right)^2} = \sqrt{\frac{82.41}{5} - \left(\frac{18.70}{5}\right)^2} = 1.58$$

$$\text{C.V.} = \frac{s}{\bar{X}} \times 100 = \frac{1.58}{3.74} \times 100 = 42.25\%$$

Appendix- 10

Calculations of Debts to Total Assets Ratio of JSSC

| Fiscal Year | NPAT(Rs.) | Total Assets Investment(Rs.) | ROI (%) (X) | x ² |
|-------------------|---------------|------------------------------|-------------|----------------|
| 060/61 | 68,42,083 | 79,66,064.56 | 85.89 | 7,377.09 |
| 061/62 | 82,46,646 | 1,00,11,899.23 | 82.37 | 6,784.82 |
| 062/63 | 1,07,80,032 | 1,29,31,334.02 | 83.36 | 6,948.89 |
| 063/64 | 1,49,34,982.5 | 1,68,32,714.75 | 88.73 | 7,873.01 |
| 064/65 | 1,95,53,383 | 2,27,37,510.81 | 85.99 | 7,394.28 |
| Total | | | 426.34 | 36,378.092 |
| Average \bar{X} | | | 85.27 | |
| S.D.() | | | 2.23 | |
| C.V. (%) | | | 2.62 | |

$$\text{Average } \bar{X} = \frac{\sum X}{N} = \frac{426.34}{5} = 85.27\%$$

$$\text{S.D. ()} = \sqrt{\frac{\sum X^2}{N} - \left(\frac{\sum X}{N}\right)^2} = \sqrt{\frac{36,378.092}{5} - \left(\frac{426.34}{5}\right)^2} = 2.23\%$$

$$\text{C.V.} = \frac{\text{S.D.}}{\bar{X}} \times 100 = \frac{2.23}{85.27} \times 100 = 2.62\%$$

Appendix- 11

Calculations of Debts to Total Assets Ratio of JSSC

| Fiscal Year | Total Debts (Rs.) | Shareholders equity or Network (Rs.) | Debt-Equity Ratio (%) (X) | x ² |
|-------------------|-------------------|--------------------------------------|---------------------------|----------------|
| 060/61 | 68,42,083 | 11,23,981.56 | 6.09 | 37.09 |
| 061/62 | 82,46,646 | 17,72,350.23 | 0.47 | 0.22 |
| 062/63 | 1,07,80,032 | 21,51,301.32 | 5.01 | 25.10 |
| 063/64 | 1,49,34,982.5 | 18,97,732.25 | 7.87 | 61.94 |
| 064/65 | 1,95,53,383 | 27,52,476.81 | 7.10 | 50.41 |
| Total | | | 26.54 | 174.76 |
| Average \bar{X} | | | 5.31 | |
| S.D. () | | | 2.60 | |
| C.V. (%) | | | 48.96 | |

$$\text{Average } \bar{X} = \frac{\sum X}{N} = \frac{426.34}{5} = 85.27\%$$

$$\text{S.D. ()} = \sqrt{\frac{\sum X^2}{N} - \left(\frac{\sum X}{N}\right)^2} = \sqrt{\frac{174.76}{5} - \left(\frac{26.54}{5}\right)^2} = 2.60$$

$$\text{C.V.} = \frac{\text{S.D.}}{\bar{X}} \times 100 = \frac{2.60}{5.31} \times 100 = 48.96\%$$

प्रश्नावली (Questionnaires)

तथ्याङ्क संकलन फारम (Form of Primary Data Collection)

सोधपत्र प्रयोजनका लागि तथ्याक्त संकलन गरिन लिएको हुँदा कृपया सहि विवरण उपलब्ध गराई सहयोग गरिदिनु हुनका लागि अनुरोध गर्दछु ।

संस्थाको नाम :

ठेगना :

उमेर :

सहभागिको नाम :

पेशा :

१) तँपाई कहिलेबाट यस संस्थाको सदस्य बन्नु भएको हो ?

२) तँपाईको शैक्षिक स्थितिको बारेमा बताइदिनु होस् न ।

- क) साक्षर ख) एस.एल.सी ग) प्रमाणपत्र
घ) स्नातक ङ) स्नातकोत्तर च) निरक्षर

३) तपाई यस संस्थामा आवद्ध हुनुका कारणहरू प्राथमिकताका आधारमा बताइ दिनुहोस् न ।

- क) पारिवारिक आम्दानी बढाउन ख) बचत गर्न
ग) रोजगारीको सिर्जना गर्न घ) क्षमता र

स्वाबलम्बनमा वृद्धि गर्न

- ङ) समाजको विकास गर्न

४) यस संस्थाको स्थापना वर्ष तँपाईलाई याद होलानी है ? यदि छ भने बताइदिनु होस् न ।

५) यस सहकारीको स्थापना पछि तँपाईको समाजको कुन पक्षमा सुधार भएको देख्नु हुन्छ ? क) चेतना ख) सामाजिक विकास ग) आर्थिक वृद्धि घ) अन्य

६) तँपाईले यस संस्थाबाट ऋण लिनु भएको छ ?

- क) लिएको छु । ख) लिएको छैन ।

७) तँपाईले कुन प्रयोजनका लागि ऋण लिनु भएको थियो ?

- क) व्यापार ख) कृषि ग) घरेलु तथा साना उद्योग घ) घर खर्च

८) तँपाईले यस सहकारीबाट लिएको ऋणले तँपाईको मासिक आम्दानीमा कुनै परिवर्तन भएको

छ कि छैन ?

- क) भाएकै छैन । ख) अलिअलि भएको छ ।

- ग) मासिक रु.१००० सम्म वृद्धि घ) मासिक रु.२००० सम्म वृद्धि
- ड) रु.२००० भन्दा बढी
- ९) सहकारी ऐन २०४८ को बारेमा जानकारी छ कि छैन ?
क) थाहा छ ख) थाहा छैन ग) अलिअलि थाहा छ
- १०) सहकारिता सम्बन्धी कुनै तालिममा सहभागी हुनुभएको छ ?
क) भएको छु ख) कहिलेकाँही ग) भएकै छैन
- ११) यस सहकारीको बैठकमा उपस्थित हुन हुन्छ कि हुदैन ?
क) सधैं हुन्छु ख) कहिलेकाँही हुन्छु ग) अहिलेसम्म भएको छैन
- १२) यस सहकारी संस्थाको विधानको बारेमा जानकारी छ कि छैन ?
क) पुरै त थाहा छैन ख) अलिअलि थाहा छ ग) खै थाहा छैन
घ) लगभग पुरै थाहा छ
- १३) यस संस्थामा संलग्न भएपछि कुनै पेशा रोजगारीमा संलग्न हुने मौका पाउनुभयो ?
क) व्यापार सुरु गरे ख) घरेलु तथा साना उद्योग संचालन
ग) कृषि व्यवसाय सुधार गरे घ) कुनै पनि छैन
- १४) यस सहकारी संस्थाका निर्णयहरू कसरी गरिन्छन् ? बताइदिनुहोस् न ।
क) कहिलेकाही बहुमतका आधारमा ख) सर्वसम्मतीका आधारमा
ग) व्यक्तिगत प्रभावका बारेमा
- १५) संस्थाले लिने वा दिने व्याजमा कुनै गुनासो छ र ?
क) छ ख) छैन, यदि भएमा
- १६) यस संस्थाका संचालकहरू कसरी चुनिन्छन् ?
क) सर्वसम्मतीको आधारमा ख) बहुमतका आधारमा
ग) मनोनित गरिने घ) थाहा छैन
- १७) यस संस्थाका चुनौतीहरू के-के छन् ? प्राथमिकताका आधारमा बताइदिनुहोस् न ।
क) बचत संकलनमा कमी ख) खराब कर्जा
ग) चर्को व्याजदर घ) स्थायीत्व
- १८) यस सहकारी संस्थाको भविष्य कस्तो देख्नुभएको छ ?
क) ठीकै छ ख) राम्रो छ ग) राम्रो छैन
घ) भविष्यले देखाउँछ
- १९) सहकारीले बचत र ऋण सम्बन्धी काम गर्नु ठीक वा बेठीक के लाग्छ, तपाईंलाई ?
क) ठीक ख) राम्रै हो ग) खै थाहा भएन घ) बेठीक

२०. विगतमा केही सहकारीहरूका संचालकहरू भागि फरार भएका कारणले थुप्रै बचत कर्ताहरूको लगानी हिनामिना भएको थियो । यस्तो क्रियाकलाप प्रति सचेत हुनुहुन्छ ?
- क) सचेत छु ख) छैन ग) अहिले त भाग्ने सम्भावना देखिदैन
- घ) नियम कानून छ नी त
२१. संस्थाका गतिविधिहरू प्रति कत्तिको सन्तोषजनक हुनुहुन्छ ?
- क) सन्तोष छु ख) त्यति धेरै छैन ग) सुधारनु पर्ने देखिन्छ
२२. सहकारीको परिभाषा सम्बन्धी जानकारी छ र तपाईंलाई ?
- क) सबैका लागि एक र एकका लागि सबै
- ख) काम गर्न सजिलो माध्यम
- ग) खै थाहा भएन
२३. यस सहकारी संस्थामा केही सुधार गर्नुपर्ने आवश्यकता छन् भने बताइदिनुहोस् न ।
- क) ख)
-
- ग) घ)
-
- ङ) च)
-